

**CHALLENGES FACING COMMERCIAL BANKS IN COMBATING
MONEY LAUNDERING IN TANZANIA: A CASE OF NATIONAL BANK OF
COMMERCE (NBC)**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled: *Challenges Facing Commercial Banks in Combating Money Laundering in Tanzania: A Case of National Bank of Commerce (NBC)*, in Partial fulfillment of the requirements for the degree of Master of Arts of the Open University of Tanzania.

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DECLARATION

I, Boniface M Magessa, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for similar or any other degree award.

.....

Boniface M Magessa

.....

Date

DEDICATION

This dissertation is dedicated to my family particularly my wife, Anita Magessa and my two sons, David Finance and Daniel IV David and a daughter Lisa Mkami.

ACKNOWLEDGEMENT

The writing of this dissertation has been one of the most significant academic challenges I have ever had to face. My proposal was ready for data collection on 2nd February 2012, but due to challenges to collect data in banks, particularly for my title, was one of my challenges I had ever faced. It took 4 months to get permission to collect data at NBC Ltd, that is to say, I collected data on 13th – 16th June 2012.

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ABSTRACT

This study assessed the challenges facing commercial banks in combating money laundering in Tanzania. However, lack of competent workers in terms of ML knowledge, and the knowledge on associated issues around ML such as globalization, advancement in ICT, liberalization of the economy, political interference, corruption, and lack of staff commitments, lack of government commitment, FIU weakness and technology are seen to be the most critical ones. The major cause of this ugly practice is the increase of economic crimes due to uncontrolled economy which affects money supply, causes inflation and affects other macroeconomic indices adversely. This research therefore reviews the challenges facing commercial banks in combating ML in Tanzania and the ways to curb/mitigate them. To explore these themes, primary and secondary sources of data were used. The questionnaires raised were distributed upon a sample size drawn from the population of some selected banks ie. NBC Ltd. Findings showed that money laundering is in increasing in commercial banks in Tanzania despite the efforts done by the Government to curb it. It is concluded that ML is a critical problem to the banking operations, and that, politicians play a key role in making the efforts towards effectively fighting of these practices unachievable dream. Political will are strong needed if the fights against ML is to be achieved. This is because ML practices have a lot of negative consequences to the economy. It is clear therefore that ML practices are dangerous and well-coordinated efforts towards fighting these practices are needed. It should not only be left to banks or law enforcing organs only but the community in general should participate in this fight. Basing on research findings, more current and updated education on ML issues are needed to banking employees i.e. Advancement in science and technology, and liberalization of the economy should be given special emphasis. There should be an advanced system of identifying banking customers (KYC). Also; there is a need to promote banking economy instead of the current cash economy. Awareness to politicians not to get involved in ML practices is also needed.

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LIST OF ABBREVIATIONS

AMLA	Anti-Money Laundering Act
AML	Anti-Money Laundering
BOT	Bank of Tanzania
DNFBPs	Designated Non Financial Businesses and Professions
FDIs	Foreign Direct Investments
FIU	Financial Intelligence Unit
GDP	Gross Domestic Products
KYC	Know Your Customer
ML	Money Laundering
NBC	National Bank of Commerce
NBFI	Non-Bank Financial Institutions
NFI	Non bank Financial Institutions
MOFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
TF	Terrorists Financing

CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Money Laundering has become a major problem in the modern world to date. The international dimension of money laundering was evident in a study of Canadian money laundering police files. They revealed that over 80 per cent of all laundering schemes had an international dimension and more recently, "Operation Green Ice" (1992) which had shown the essentially transnational nature of modern money laundering. Therefore, countries in the world decided to work together against an increasingly sophisticated combination of techniques, use of expert and professionals to disguise the true ownership and control of illegal proceedings. This is mainly due to critical consequences associated with money laundering activities.

There are various evidences indicating that money laundering activities are endangering financial activities and countries economic development. For instance, Unger et al (2006) and Quirk (1996) observed that money laundering had a negative effect on the economic growth, and financial stability in the Netherlands. Andrei and Robert (2002) emphasized that money laundering undermines domestic capital formation and erodes the financial institutions. He further highlighted that money laundering depresses growth in the economy and facilitates illegal capital flight which is detrimental to the economy.

Furthermore, Quirk (1996) shows that money laundering, which involves money moving from one country to another cause misleading data. This has an adverse

impact on interest rates, exchange rate volatile and tracking becomes more uncertain, negatively impacting on the economic growth.

Another observation by Masciandaro (2005) was on the availability of positive relationship between the money laundering prevention initiatives and economic growth. This is because the economic growth is affected by investment. Therefore if the level of investment is affected by high corruption then there is a decrease in economic growth.

Moreover, Nair & Vaithilingam (2007) observed the relationship between technology, quality of human capital, efficiency of legal framework, ethical behavior and capacity for innovation in the developing countries. Their conclusion was that the legal framework with good corporate governance lowers the pervasiveness of money laundering.

1.2 Background of the Study

In Tanzanian context, organized criminal activities, including money laundering and financing of terrorism, have been fast increasing. According to Mniwasa (2004) the incidence of smuggling, poaching, trading in illicit drugs, corruption, fraud, embezzlement, misappropriation and theft of public funds, racketeering, illegal arms dealing and, most recently, terrorism, have been on the rise. In this process of money laundering, criminals generate substantial revenues and apply different mechanisms to disguise the origins or ownership of the proceeds of their illicit activities. The increase in organized criminal activities has been facilitated by several factors

including globalization, liberalization of the economy and advances in communications, including information technology.

Most of these money laundering and illegal transactions take place in banks, nonbank financial institutions (NBFIs), and equity markets. Arguably, banks provide substantial amount of employment and contribute positively towards national economic growth. For instance in Tanzania, financial sector provide about 1% of employment and 2.1 % of the GDP (Economic Survey, 2011 presented by the minister for finance and economic affairs to the parliament). Being the case therefore, it is obvious that money laundering activities are adversely affecting the Tanzanian economic growth. In this sense, efforts undertaken by the Government to alleviate poverty and to raise living standards cannot succeed if money laundering and terrorist financing are not fought effectively (National AML Strategy 2010-2013).

In the efforts towards fighting money laundering in Tanzanian Financial sector, the Government in 2001 established a National Multidisciplinary Committee on Money Laundering which coordinates activities of different stakeholders in the war against money laundering and countering Financing of Terrorism. The Committee also assesses the effectiveness of the policies and measures to combat money laundering and countering of Financing of Terrorism and advise the Government on legislative, regulatory and policy reforms in respect of the same. Banks, NBFIs, and equity markets also reinforce the other good-governance practices. Some anti money-laundering policies—such as know-your-customer rules and strong internal

controls—are also fundamental, longstanding principles of prudential banking operation, supervision, and regulation (Bartlett, 2002).

In addition, United Republic of Tanzania decided to join efforts of the international community by enacting a law [Anti Money Laundering Act Cap. 423 of 2006 (AMLA)] against such activities. Also in 2006 the government under the Ministry of Finance and Economic Affairs established Financial Intelligence Unit (FIU) and came into operation in 2007 with its primary function of fighting against Money Laundering and Terrorist financing in the country. The Act makes proposals for a comprehensive and consistent legal framework of measures for combating money laundering in Tanzania.

Despite these efforts towards fighting money laundering in Tanzania (as it is globally), these activities still persist. At global level, the International Monetary Fund has stated that the aggregate size of money laundering in the world could be somewhere between 2 and 5 percent of the world's gross domestic product. (Arvind & Prashant, 2008). In Tanzanian context, KPMG (2007) survey finds that money laundering flows by drug dealers, arms traffickers and other criminals reported to be in excess of USD 1 trillion every year. Therefore, combating money laundering and its related consequences, for example, terrorist financing continues to be a major challenge for the local and international policy makers.

1.3 Statement of the Research Problem

A large percentage of money laundering and terrorist financing activities mostly take place in banks, nonbank financial institutions and equity markets (Bartlett, 2002). It

is important however that, banks and other NBFIs need to operate in crime and money laundering free environment due to their contribution in employment and economic growth (URT, 2005). Despite many efforts made by the Tanzanian government to fight these illegal activities, yet, they have still remained a big challenge to these financial institutions because they haven't been able to reduce or eradicate them instead have been increasing (KPMG, 2007). Few available literature in this line of inquiry, such as those of Andrei & Robert (2002), Unger et al (2006), Quirk (1996), Masciandaro (2005), Nair & Vaithilingam (2007) and Mniwasa (2004) have basically concentrated on the impact of money laundering and terrorist financing on the economic development. Very little is known on the extent to which workers in these financial institutions, where most of money laundering activities take place are aware of these activities in their institutions, and the availability and effectiveness of money laundering policies, guidelines and practices to combat money laundering in commercial banks that seems to be challenges. This study was intended to fill this gap.

1.4 General Objective

The general objective of this research was to assess the challenges facing commercial banks in combating Money Laundering.

1.4.1 Specific objectives were:

- (i) To assess money laundering practices in commercial banks
- (ii) To investigate on the applicability of the policies and procedures in identifying Money laundering activities

- (iii) To assess the extent to the compliance with the Money Laundering Act.
- (iv) To examine the effects of money laundering on banking operations.

1.5 Research Questions

- (i) What are money laundering practices in commercial banks?
- (ii) What are the policies and procedures in place to combat Money Laundering?
- (iii) Are commercial banks complying with the Ant-Money Laundering Act?
- (iv) What are the effects of money laundering practices on the banking operations?

1.6 Significant of the Study

The study examined the challenges facing commercial banks in the fight against money laundering. Furthermore, the study findings could be used by various financial institutions in Tanzania in understanding the concept of money Laundering, its impact, challenges and therefore set strategies on how they can mitigate these challenges.

1.7 Scope of the study

This study delimited itself to National Bank of Commerce (NBC) headquarters as a specific case study representing other commercial bank and non banking institutions in Tanzania.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In this chapter the researcher started by defining different concepts which are frequently used in this paper. The researcher also gives a review of some different literatures (Theoretical, empirical and conceptual literatures). The hypothesis has also been formulated in this chapter. Lastly the researcher presents a short summary of the chapter.

2.2 Conceptual Definition

Prior to the mid-1980s, our country had no orientation with organized crimes. The crime pattern was largely dominated by ordinary traditional offences such as simple thefts, sporadic incidents of armed robberies, simple forgeries, and the like. Organized criminal syndicates would one day transcend across our borders with such force and speed (Masciandaro, 2005).

Money laundering is the criminal practice of filtering ill-gotten gains or “dirty” money through a series of transactions, so that the funds are “cleaned” to look like proceeds from legal activities. Money laundering is driven by criminal activities and conceals the true source, ownership, or use of funds. The International Monetary Fund has stated that the aggregate size of money laundering in the world could be somewhere between 2 and 5 percent of the world’s gross domestic product. (Arvind & Prashant, 2008).

2.2.1 Overview of Money Laundering Stages

Money laundering has three basic steps that launderers follow.

- (i) Placement
- (ii) Layering
- (iii) Integration

AUSTRAC which defines placement as also the initial stage of money laundering and further stated that this stage is the physical disposal of bulk cash profits that are a result of an illegal activity. However though Schaap (2002) agrees that placement is a stage of money laundering he states that prior to the placement stage there is the exchange phase. Schaap (2002) further stated that the exchange phase in the first stage of the laundering process and is also known as the prewash phase.

Schaap (2002) highlighted that in this phase, in order to avoid increased alertness and break the audit trail, at times foreign currency is traded in another currency, smaller notes are traded in larger elements that are easier to handle and cash is exchanged into easily traded valuable assets. However organizations such as AUSTRAC regard this process as a part of the placement stage. Within the placement stage methods such as smurfing are used. Smurfs (low level criminals) break down large amounts and deposit these moneys in the financial system. Sienkiewicz (2007) discussed a new trend of launderers in this stage which is to use prepaid money cards. This is commonly used because of the anonymity and it is transferable from one person to the next, also there is no need for direct contact with bank personnel.

The second stage of money laundering after the funds are entered into the financial system is called Layering. The Caribbean Bulletin states that the layering stage is the process by which there is the separating of the illicit proceeds from their source by creating complex layers of financial transactions designated to disguise the audit trail and provide anonymity.

Upon completion of the prior stages the next step is called integration. Schaap (2002) describes this stage as the process when the money returns to the legal monetary system as long or short term investment. This is where funds are fully integrated in the legal system. Sienkiewicz (2007) gave an example of how prepaid cards are used in recent times to integrate illegal moneys in the financial sector.

However Schaap (2002) continues to state in his paper that this is not the final stage of laundering. He stated in his article that there is a stage after integration called legitimization. Schaap (2002) further stated that the purpose of this stage is in order for funds to be in the legal upper world. In this stage funds are finally made legitimate however popular literature on money laundering does not differentiate this stage from the integration stage of the money laundering process.

Foreign and Commonwealth Office, London (1996) gave a detailed description of this stage and stated at the integration stage or as it is referred in this article as re-integration and describes this stage as when the is brought back, supposing legitimately into the financial system, where it is safe from enquiry. This document further suggested that at this stage one technique of re-integration is for the launderer to control a bank in a financial centre.

2.3 Theoretical Review

Measuring the size and development of organized crime and/or money laundering is done by a few researchers, only. One of the most well known economists doing macro estimates of the size and development of money laundering is John Walker (2007, 2004 and 1999). His model of global money laundering is based on standard economic theory, in which he tries to develop an international input-output-model. The Walker model relies on estimates of the extent of various different types of crimes in single countries around the world, estimates of the proceeds resulting from these crimes and the probability of those proceeds being laundered. Walker determines the laundering pathways by an “attractiveness index”, which is based on a range of factors that express the opportunities and risks presented by the financial sectors/institutions in each country. He claims that his approach to quantify money laundering is arguably superior to those based on analysis of financial transactions, since there is no potential for the double counting inherent in the layering and placement stages of money laundering processes. The model defines the types of data and analyses the need to be generated in order to effectively model global transnational crime and money laundering.

Walker (2007) concludes that since 2000 global money laundering may account for as much as US\$ 3 trillion p.a. and that business fraud exceeds illicit drugs as a source of laundered money. He argues that attacking the economics of crime can be an effective transnational crime prevention strategy and that economists can play a valuable role in monitoring and combating transnational crime and money laundering. Peter Reuter (2007, 1983), who is quite critical to the findings of John

Walker, comes to the major conclusion that neither on the national nor on the global level, credible estimates are available (Reuter (2007)).

He admits that the aggregate annual figure globally is in the hundreds of billions of dollars, but whether that figure is a small number of only a few hundred billions or even a trillion is unknown according to his research. He states that the vagueness of such estimates is a result of both disagreements over how to conceptualize money laundering, as well as weaknesses in the techniques used to quantify it. As a consequence estimated changes in the volume of money laundering cannot be used as a measure to judge effectiveness of global anti-money laundering regime. He concludes that aggregate figures provide little value added for policy makers.

He justifies his conclusion as follows: First, these aggregate findings conceal as much as they reveal. Second, the anti-money laundering control regime has been constructed not so much to reduce money laundering as to namely reduce income producing crimes, increase the integrity of the financial system and control corruption and terrorist financing. From this, he concludes that the volume of money laundry is more of a scientific interest than a useful outcome for counter measures. Moreover, he comes to the result that estimates of the underground economy are inherently weak in their own terms and even weaker as estimates of the volume of money laundry because so little is known about what share of proceeds, either legitimate or illegitimate, are processed in ways that are designed to conceal the origins.

The attempt to estimate total earnings from each major class of illegal crime activities fails, because of a lack of systematic data systems for capturing the scale of each crime. To summarize, Peter Reuter is very sceptical of the aggregate estimates and on any attempt to estimate organized crime and money laundering, either for a single country or for the whole world.

On the other hand, Brigitte Unger (2007, 2006), quite strongly defends the research of John Walker, arguing that since the pioneer study of Walker (1994), it is possible to create a framework to measure money laundering per country and worldwide. Furthermore, she argues that Walker's model is a positive example for interdisciplinary work of criminology and economics. In her own work, Unger tries to justify the Walker model and tries to give a theoretical underpinning of the Walker model by using Tinbergen's old gravity model. The gravity model principally says that the export flows from country i to country j depend on the GDP of both exporting and importing countries and the distance between them. She applies this approach to the Walker model; i.e. using the modern gravity approach, in which the attractiveness to launder money depends among other factors on the bank secrecy in countries, the government attitude against corruption and crime, etc.

She admits that this model needs a better micro foundation, but she clearly argues that the original Tinbergen's ad-hoc formular was later on progressively micro-founded. Hence, Brigitte Unger provides a first theoretical basis of the Walker model, applies it and shows that she can reach plausible estimates of money laundering and organized crime.

Unger (Unger *et al.*, (2006)) estimates the amount of money laundering in the Netherlands from 18 to 25 billion Euro (year 2004/05), which is approximately 5% of the Dutch GDP. The report of Unger *et al.* (2006) presents a list of 25 effects of money laundering on society, which are both positive and negative and have an effect in both the short and long term. This list includes effects on crime rates, economic growth, imports, exports, statistics, terrorism, the solvability and liquidity of the financial sector. Unger *et al.* come to the conclusion, after identifying all effects and reviewing the literature, that most literature on money laundering effects are pure speculation and furthermore, one source refers to the other sources, without much empirical solid backup.

2.4 General Discussion

2.4.1 Money laundry concept

Money Laundering has a close connection with organized crime. Money Launderers amass enormous profits through drug trafficking, international frauds, arms dealing etc. Cash transactions are predominantly used for Money Laundering as they facilitate the concealment of the true ownership and origin of money. Criminal activities such as drug trafficking acquire an air of anonymity through cash transactions.

According to Arvind & Prashant (2008), the most common types of criminals who need to launder money are drug traffickers, embezzlers, corrupt politicians and public officials, mobsters, terrorists and con artists. Drug traffickers are in serious need of good laundering systems because they deal almost exclusively in cash, which

causes all sorts of logistics problems. One important aspect of money laundering is the tendency and need for perpetrators to operate cross border schemes for the purpose of concealment and/or to take advantage of the uneven developments in the national anti money laundering regimes.

2.4.2 History of Money Laundry

The term "money laundering" is said to originate from Mafia ownership of Laundromats in the United States. Gangsters there were earning huge sums in cash from extortion, prostitution, gambling and bootleg liquor. They needed to show a legitimate source for these monies. One of the ways in which they were able to do this was by purchasing outwardly legitimate businesses and to mix their illicit earnings with the legitimate earnings they received from these businesses. Laundromats were chosen by these gangsters because they were cash businesses and this was an undoubted advantage to people who purchased them.

2.4.3 Organized Financial Crime in Tanzania

In 1985, the organized crime pattern in the country began to take a different shape. This was a time when our country made a U-turn in her economic policy. The effects of globalization never spared us. The wind of change in the former East European countries also had a role in determining our economic policy (Mwema, 2008).

2.3.4 Impact of Money Laundering (ML)

Banks, equity markets, and non-bank financial institutions (NBFIs), such as insurance companies, are a favored means of laundering illicit funds both

internationally and within developing countries. Defining ML as part of financial abuse IMF (2001) defines financial abuse as a broad concept of illegal financial activities which has devastating impact on a countries financial system and legal activities. The paper has identified three types of financial abuse on the basis of financial institutions (FIs thereafter) involvement in the financial crime: as victim, as perpetrator, as an instrumentality. These types of crimes appropriately defined as Money Laundering. On the basis of the above understanding the impact of ML can be explained from the point of impact on financial sector and on the real sector.

2.4.5 Money Laundering in Banking Sector

Throughout the world, banks have become a major target of ML operations and financial crimes because they provide a variety of financial services and instruments that can be used to conceal the actual source of money. Money Launderers attempt to conceal their real identity to the bankers with their polished, articulate and disarming behavior, convert their dirty money into white money. As argued by Singh (2009), launderers generally use the financial system in two stages to disguise the origin of the funds. First, they place their ill-gotten money into financial system to legitimize the funds and introduce these funds in the financial system and second, after injecting the dirty money into the financial system, through a series of transactions, they distance the funds from illegal source. Therefore, the financial institutions through whom the “dirty money” is laundered become unwitting victims of this crime. Money Laundering may hamper the reputation of the financial institution and may increase the operational risk of the banking firm when banking firm itself involved with the launderer or in criminal activities (Bartlett, 2002).

Thus, without even involvement in any criminal offence, money laundering may be a cause of failure of banking (financial) sector of an economy. People may lose their confidence on the banking system. Such confidence failure towards the formal sector may increase the activities of informal financial firm. The growth of activities of the informal sector might again increase the possibility of money laundering such as credit union, hawala remittance systems etc. (Chêne, 2008). Money laundering shifts the economic power to the criminals (Bartlett, 2002). In such a situation, criminals may use their economic power to undertake the operation of the financial firm of the country and may use the fund of the depositors to do more criminal activities.

2.4.6 Impact of Money Laundering in Developing Countries FIS

ML and its related consequences have devastating impact on the developing countries real and financial sector. As financial institutions in the developing countries are mostly developing and they have lack in related laws and technologies to identify the laundering activities, therefore, timely actions against the launderer is a must to protect the economy's financial and real sector. Vaithilingam and Nair (2009) shows that countries have low incidence of money laundering if they have high development of internet adoption, low incidence of brain drain, sound legal, tax and financial systems. On the other hand soundness of financial system depends on the low level of ML, sound legal and tax system (IMF 2001).

Therefore it can be argued that soundness of financial system depends on low level of money laundering. Therefore, developing countries need to give importance to identify the impact of ML in their financial system, so that they can prepare

appropriate rules and regulations to combat such effects. In considering the effect of money laundering on developing economies, Bartlett (2002) indicated five directions of money laundering flows in such economies. These are domestic flow, returned flow, inbound funds, outbound funds, and flow-through funds. In a detailed study by Unger et al. (2007) about money laundering, they have classified the effects of money laundering on the basis of short term effects and long term effects.

2.4.7 International Development and Control Mechanism on Anti-Money

Laundering

Most of the international initiative, such as BASEL II, FATF, Wolfsburg group, EU third money laundering directives, on money laundering given emphasis on the improvement of corporate governance and senior management accountability of the banking firm to combat money laundering. In 1986, United States (U.S.) adopted the Money Laundering Control Act for the first time to protect the system from the launderer. Later on most of the developed and developing countries adopted different AML principles prepared by the different international organizations. The United Nations Vienna Convention 1988 is the first inter-governmental initiative against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention) and the 1990 Council of Europe Convention on Laundering.

The Bank for International Settlements (BIS) has endorsed key elements of the anti money laundering practices as explicitly supportive of sound banking practices that reduce financial risks for individual banks and, by extension, national and international financial systems as a whole.

2.4.8 Anti Money Laundering Measures in Tanzania

For economic growth in a country, a strong rule of law governing financial institution is a fundamental prerequisite. In order to prevent money laundering the government of Tanzania has issued “guidance on money laundering prevention” for the financial institutions. Financial Intelligence unit (FIU) has established as a monitoring authority in Tanzania Banks as part of Strategy for Anti-Money Laundering and Combating Terrorists Financing (URT 2010-2013).

It includes the Bank of Tanzania (BoT) Circular No. 8 of 2000, which obligates banks and financial institutions to: adopt anti-money laundering policies and procedures; verify and identify customers before establishing relationship with them; develop procedures relating to retention of records of transaction of their customers; establish reporting mechanisms of suspicious transactions of their customers to the relevant authorities; and provide training and guidance to their personnel relating to procedures and control of money laundering.

Moreover, the BoT may prohibit the bank or financial institution from issuing letters of credit or guarantees and opening new branches, or cancel the licence of such a bank or financial institution. Applying the ‘know your customer’ (KYC) rules and procedures set out in the Circular enables the banks and financial institutions to fight against both money laundering and terrorist financing (Financial Intelligence Unit, Anti money laundering Guidelines to Banking Institutions, Guideline no. 2).

KYC is now being implemented by most commercial banks, its success is not been measured

2.5 Research Gap

Few available literature in this line of inquiry, such as those of Andrei & Robert (2002), Unger *et al.*, (2006), Quirk (1996), Masciandaro (2005), Nair & Vaithilingam (2007) and Mniwasa (2004) have basically concentrated on the impact of money laundering and terrorist financing on the economic development. Very little is known on the extent to which workers in these financial institutions, where most of money laundering activities take place are aware of these activities in their institutions, and the availability and effectiveness of money laundering policies, guidelines and practices to combat money laundering in commercial banks that seems to be challenges. This study was intended to fill this gap.

2.6 Conceptual Framework

A conceptual framework occurs when a researcher links concepts from literature to establish evidence to support the need for the research question.

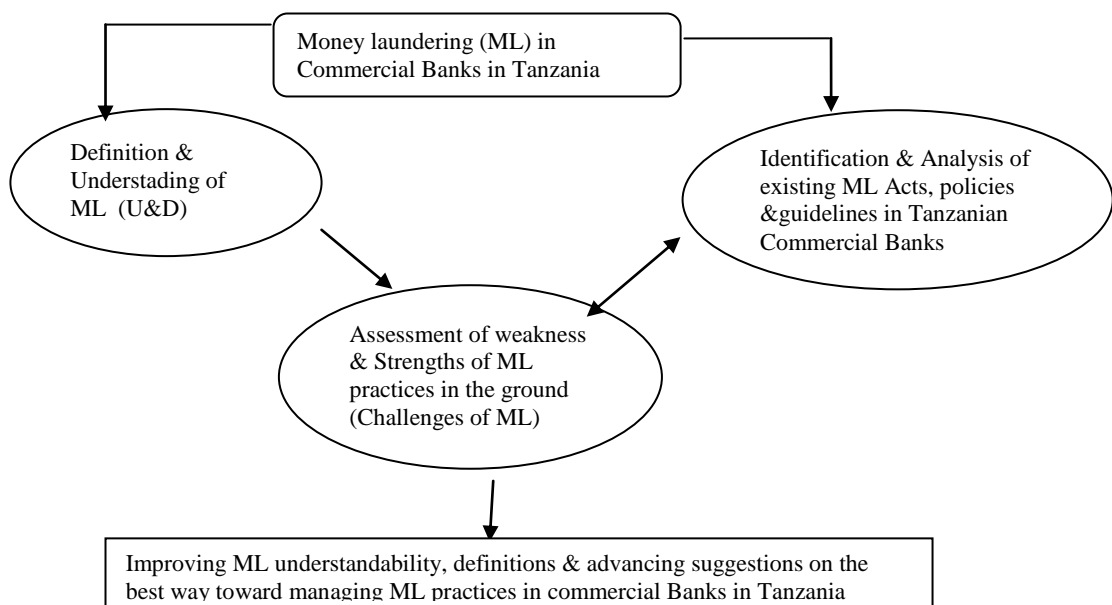


Figure 2.1: Conceptual Framework
Source: Different Literature Reviews (1996 – 2008)

This study Conceptual Framework tries to simplify the conceptualization of the study by presenting the key issues expected to be dealt with in the study. Therefore, in this context, the study mainly looks at Money Laundering challenges in commercial banks in Tanzania. Therefore, key Acts, policies and guidelines dealing with money laundering will be identified and analyzed. They will then be compared with the practices on the ground to see the gaps between the ideal and the real practices. Equally important, the study review how banking official conceptualize and define ML as a concept and phenomenon. Their conceptualizations and definitions will be compared with the existing definitions and conceptualizations in the literature, and see whether there are gaps and their possible effects on dealing with this phenomenon.

The whole analysis was expected to bring out the weakness and strengths across ML definitions and conceptualization by banking officials as well as the existing Acts, policies and practices to the real practices. As indicated, the study was expected to advance effective and strong suggestions on how to improve the issue studied.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the design and methodology which was used in this study. It presents the research design, population and unity of enquiry, nature of sample and sampling procedures, area of study, type of data, methods of data collection, variables and methods of data analysis employed.

3.2 Research Design

For any study there must be an approach to guide it. A research approach/ methodology is the philosophy of the research process including assumptions and values that serve as a rationale for the research and standards that researcher use for interpreting data and research conclusion (Cooksey and Lokuji, 1991). This part is a blue print for the data collection, measurement and analysis.

Thus this study adopted case study, since it placed emphasis on a full contextual analysis of a fewer events or conditions and their interrelations. Case study design was taken to be appropriate. The selection of the design was due to its nature of having in depth, contextual analysis of the similar situations in other organization, as what are researching in. For a case study design, a single well-designed case study can provide a major challenge to theory and provide a source of new hypothesis and constructs simultaneously. Thus in this study there was in depth analysis of the matters pertaining to money laundry in commercial banks.

Saunders *et al.*, (2004:93) indicate that despite of the unscientific feel a case study has, yet it can be a very worthwhile way of exploring existing theory. They argue that, a simple well constructed case study can enable you to challenge an existing theory and also provide a source of new hypotheses. A case study is an in depth study of one person, in this case it is National Bank of Commerce. The case study was relevant to this study compared with other designs due to the reason that it is a multinational/international bank with so many transactions

3.2.1 Area of the Study

The study was carried out at the National Bank of Commerce Ltd with objectives of exploring the conceptualization of "money laundering" concept(s) among banking officials in Tanzania, identifying the challenges facing commercial banks in combating Money Laundering, investigating the applicability of the policies and procedures in identifying Money Laundering activities, and to assessing the extent of compliance with the Money Laundering Act

3.2.2 Populations

A population is the totality of the objects under the investigation. It is a set of all cases of interest. With respect to this study, all commercial banks and their workers as well as the intelligent unit make up the study population

3.2.3 Sample, Sampling Size and Sampling Procedures/Techniques

Sampling frame is a range of procedures where a researcher uses to gather people, places or things to study (Kombo and Tromp, 2006), this study adopted purposive

sampling where by only those respondents who believed that they were able to deliver the required data/information's regarding judgments about money laundry issues, with that purpose in mind, the sample was thus selected to include people of interest and exclude those who do not suit the purpose, this was deliberately to include/exclude some of the elements in the sample, the majority consideration for including a person in a sample is to identify those respondents having expertise or experiences about the money laundry issues. Thus purposely the study selected workers who were seen to be able to convey the required information at that particularly, day and time.

A Sample size refers to the number of items to be selected from the population to constitute a sample. Normally generalization about population from data collected as those portraying number of financial industry respondents, using any probability sample are based on probability, the larger the sample size, the lower the likely error in generalizing to population and vice versa, although it also depend highly to the sampling method used. The larger the sample size, the more the money and time needed.

It should be noted that there is no exactly number of elements to be selected to form a sample, Economist, 1997(cited by Saunders et al, 2000:15) suggest a minimum of 30 items to be included in a sample when statistical analysis adopted. Therefore for the purpose of this study a total of 30 respondents were from the National Bank of Commerce, NBC (4 Top managers, 9 middle level managers and 17 lower level managers in Risk management department (money laundering is a section),

Operations and finance department), and 1 from Financial Unit Intelligent (FIU) under the ministry of finance and economic affairs were involved.

3.2.4 Methods of Data Collection

Data collection refers to the gathering specific information aimed at providing some facts. Data collection usually takes place early on in an improvement project, and is often formalized through a data collection plan which often contains the following activity.

- (i) Pre collection activity – Agree goals, target data, definitions, methods
- (ii) Collection – data collection
- (iii) Present Findings – usually involves some form of sorting analysis and/or presentation.

Data comprised both primary and secondary sources. In the case of primary sources, the data were accessed through respondents from NBC and FIU who were subjected to questionnaires and interviews carried at par for more clarification of the actual perception of the interview about the subject matter. Interview and questionnaire were distributed to respondents, and relied on the number of workers in a specific department in respective institutions.

Secondary data were sourced from existing documents and internet especially Investopedia website, also from various Financial Intelligent reports (i.e. annually reports, ministries of finance and economic affair) and banks publications, studies done which particularly explaining about Money laundry and from the survey of literature materials which were accessed in the institutions library and website

especially those pertaining money laundry, Financial scientific conference papers, and reading investments and money laundry books. Also published and unpublished documents at the areas of study were used. Secondary data included raw data's which were used to produce a descriptive analysis.

3.2.5 Questionnaire

Questionnaire was designed to facilitate data collection exercise, most of them were self administered with both open and closed ended questions to respondents in respective departments. The purpose of the questionnaire was to compare the reviewers' comments and the authors' perception of the problem. This focused more on achieving the objective of the study, thus in each section there was sort of questions which reflected the particular research question. The top managers, money laundering department employees, finance department employees and tellers were subjected to questionnaires. The rationale for them to fill the questionnaires was that they are dealing with day-to-day transactions of the bank.

3.2.6 Interviews

The study employed structured interview to obtain relevant information and this was done in order to ensure that wherever variations occurred in the responses, they could be attributed to the actual differences and not to variations in the interview. This type of interview is standardized, and the structured interview is used because the information that we really need from this particular study is known, thus in this study, interview was conducted using interview guide to the selected officials these may incorporate those who were given questionnaires and or other who were not

included in the questionnaires actually this depended on the number of workers obtained in the respective departments. Top managers, finance and money laundering employees were interviewed. The interview was face to face making interaction between interviewer and interviewee more productive. Managers, finance, tellers and Money Laundering employees know much about money laundering and they are responsible to day to day transactions of the bank therefore the information obtained is regarded as being useful.

3.3 Reliability and Validity of Measurements

3.3.1 Reliability

Reliability is about consistency, normally if research design is reliable, and used by another researcher the same results will be obtained. Only relevant data were collected for ensuring consistence of data and data compliance with research objectives. During data analysis un-attended questions were deleted. Therefore good questionnaires and interview were determined to assure the collection of only reliable data.

3.3.2 Validity

The concept of validity is described by a wide range of terms in qualitative studies. This concept is not a single, fixed or universal concept, but “rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (winter, 2000, p.1). Validity in research may imply accuracy of a research tool (instrument) validity of research procedure (technique) and validity of the research findings (report).

In validity we want to obtain what we are supposed to measure, it refers to the quality that a procedure or an instrument (tool) used in the research is accurate, true, meaningful and right. In order to validate the data, questionnaires were tested and exposed to various experts to oversee if it captures the objectives of the study. The pilot study was carried on for the aim of checking the clarity of the questionnaire and interview guide. Therefore respondents were exposed to questionnaires and they were requested to fill them accordingly. In case of errors the questionnaires were corrected to suit the study needs.

3.4 Data Analysis and Presentation

This intends to answer research questions by analyzing data obtained from the field. In this research, both qualitative (for the open ended questions) and quantitative data (for close ended questions) analysis were used. General descriptive statistics through cross tabulation and figures were used to examine, explore, and evaluate the association and comparison.

Data analysis was categorized in two sections. Section A&B on Respondents characteristics and Analysis Relating to Research Questions respectively. This focused more on meeting the objective of the study, thus in each section there was sort of explanations based to each questions.

3.4.1 Data Analysis

After gathering the required information, Quantitative and qualitative data analysis techniques will be employed in this study. Data were edited, entered, cleaned and coded, ready for analysis.

3.4.2 Editing

Data editing is the procedure that improves the quality of data for coding. The information from the study was carefully checked to ensure completeness, accuracy clarity and uniformity.

3.4.3 Data entry

Data were entered and processed using MS-Excel.

3.4.4 Coding

By coding, data collected were categorized and transformed into symbols that was tabulated and accounted as used. Based to the result from the questionnaire and data entry the data were kept in MS Excel outputs.

3.5 Expected Results of the Research and Usage

3.5.1 Expected Results/Output

The study is suggesting the following:

- (a) Suggested areas for improvement/remedy and;
- (b) Suggested areas for further research.

3.5.2 Usage

The study findings are used in the following ways. Firstly, to be disseminated to the main concerns i.e. banks and FIU. Secondly, the main study report to be availed to various stakeholders including academicians, policy analysts, and makers through different publications and distributed to libraries.

CHAPTER FOUR

4.0 RESEARCH FINDINGS AND ANALYSIS

4.1 An Overview

This chapter presents the data collected from the field. It also presents data analysis and discussions of findings. This study was intended to investigate challenges facing commercial banks in combating money laundering in Tanzania with a case of National Bank of Commerce (NBC) Ltd – Headquarters, and some data collected from Financial Intelligence Unit (FIU). It was guided by four specific objectives, which are: firstly, assessing money laundering practices in commercial banks; secondly, investigating the applicability of policies and procedures in identifying Money laundering activities; thirdly, assessing the extent of compliance with the Money Laundering Act; and fourthly; examining the effects of money laundering on banking operations. Data collection was mainly done using questionnaires, interviews and analysis of relevant documents.

Therefore, data are presented in chronological order as per research objectives. The presentation is done mainly using tables and figures. Voices are also presented whenever relevant following interviews which were done. The presentation is followed by analysis and discussion of findings thereafter.

4.1.1 Respondents' Profile

Respondents' profile was intended to show they were distributed as per their ages, gender, marital status, education level and the like. This is important to show their behavior and characteristics relevant to the study. Their responses are summarized and presented in tables.

Table 4.1: Distribution of respondents' by their Position and Age

Employee Positions	Age Categories (in Years & Percentages)				
	18-25	26-33	34-41	42-49	Above 50
Top management	0 (0%)	0 (0%)	1 (25%)	1 (25%)	2 (50%)
Middle level managers	1 (11%)	3 (33%)	4 (45%)	1 (11%)	0 (0%)
Low level managers	2 (12%)	3 (18%)	5 (29%)	4 (23%)	3 (18%)

Source: Data collected from field (2012)

Table 4.1 indicates that, two (50%) out of four top management employees who participated in the study had their ages above 50 years. As to the middle level managers participants, the majority four (45%), out of nine total, had their ages ranging between 34 to 41 years, while 3 (33%) had their ages ranging between 26 to 33 years. On the lower level managers' side, out of seventeen participants, the majority five (29%) had their ages ranging between 34 to 41 years, and the other four (23%) in this category had ages ranging between 42 to 49 years.

This data depicts the fact that senior members of staff are having enough ages to be wise and also reflecting enough experiences. On the other hands, both middle managers and lower level managers are having middle ages and also still energetic to work hard. This ages distributions, particularly as per positions is good in terms of fighting money laundering because it mixes the wise ages and middle energetic wages for better work.

Table 4.2 indicates that, all four Top managers' respondents were male and majority of them (75%) were married. As to the middle level managers participants, the

majority seven (78%) out nine total were males, and single (67%). On the lower level managers' side, out of seventeen participants, the majority thirteen (76%) were males married (53%).

Table 4.2: Distribution of respondents by their Marital and Gender Status

Employee Categories	Marital Status (in Numbers & Percentages)			Gender (in Numbers & Percentages)	
	Single	Married	Widow	Male	Female
Top management	1 (25%)	3 (75%)	0 (0%)	4 (100%)	0 (0%)
Middle level	6 (67%)	3 (33%)	0 (0%)	7 (78%)	2 (22%)
managers					
Low level managers	8 (47%)	9 (53%)	0 (0%)	13 (76%)	4 (24%)

Source: Data collected from field (2012)

This data is interesting, firstly because, it depicts of gender imbalance in the banking system whereby most workers seems to be males! But secondly, while the top managers or the senior officials seems to be all married, of course reflecting their ages, most of the middle managers are single, while their counterparts, the lower managers who seems to fall in the same age categories with middle managers are most of them married! This gender and marital status distribution is quite interesting, but it might also speak something in terms of fighting money laundering and possible challenges therein. For instance, it could be argued that, single and energetic males middle managers are more flexible and could assume more roles in terms of fighting money laundering, yet, this group is also eager to make up their life and this might be a challenge on the other hand.

Table 4.3: Distribution of respondents by their Highest Education Levels

Employee Categories	Level of education					
	Primary	Secondary	High School	Diploma	Degree	Post Graduate
Top management	0%	0%	0%	0%	0%	100%
Middle level managers	0%	0%	0%	0%	44%	56%
Low level managers	0%	0%	6%	35%	41%	18%

Source: Data collected from NBC Ltd. (2012)

Table 4.3 indicates that all four top management employees who participated in the study had postgraduate as their highest education level. As to the middle level managers participants, the majority five (56%), out of nine total, had as well postgraduate as their highest education level and the rest four had degree. On the lower level managers' side, out of seventeen participants, the majority seven (41%) had degree as their highest education levels; others have diploma and few postgraduate qualifications.

The data suggests that most of the workers in the banks are well educated and knowledgeable towards their work. This is because; almost all of them (top, middle and lower managers) have their higher education ranging from diplomas to postgraduates. This is good in terms of fighting money laundering because; money laundering itself is very complex in the ways it is conducted. It is almost impossible to be handled by people who are less qualified and knowledgeable. Therefore, this education profile is good towards fighting and combating money laundering in Banks.

Table 4.4: Respondents' working duration in their current departments

Employee Categories	Time in the current department			
	Less than 1 yr	1 – 2 yrs	3 – 4 yrs	More than 4 yrs
Top management	0 (0%)	2 (50%)	1 (25%)	1 (25%)
Middle level managers	3 (34%)	2 (22%)	2 (22%)	2 (22%)
Low level managers	6 (35%)	4 (23%)	5 (29%)	2 (12%)

Source: Data collected from NBC Ltd. (2012)

Table 4.4 indicates that, two (50%) out of four top management employees who participated in the study have been in their current department between 1 to 2 years. It is also noted that, majority of the middle managers (34%) and lower managers (35%), their stay in their current departments is less than one year. The data suggests a good mixture of experiences among workers. All different managers have been in their current departments long enough to accumulate a good experience on their works. This suggests good capacity in terms of fighting money laundering in Banks because of good accumulated experiences among workers.

Table 4.5: Respondents' previous working status before their current positions

Employee Categories	Yes	No
Top management	75%	25%
Middle level management	89%	11%
Low level management	82%	18%

Source: Data collected from NBC Ltd. (2012)

Table 4.5 indicates that, three (75%) out of four top managers who participated in the study had worked in other sections before the current one. The figure also indicates that the majority of middle managers (89%) and lower level managers (82%) have as well worked in other departments before their current one.

This data indicates that almost all workers have worked in other departments before shifting in their current departments. This shows clearly that, almost all workers are not newly employed but have long experiences not in their current departments but from many other departments. This is good because it shows how experienced these workers are and possibly their capacity in fighting money laundering in their banks.

Table 4.6: Positions previously worked by employees' respondents

Staff current Position	Previously worked position/department
Top management	<ul style="list-style-type: none"> • Finance and Administration • Operations, Finance • Finance, Audit
Middle level managers	<ul style="list-style-type: none"> • Audit • Finance • Operations • Human Resource • Credit Department
Low level managers	<ul style="list-style-type: none"> • Within other sections in the bank • IT • Finance, Risk • Compliance • Saving Dept • Teller • Current acc. Dept • Operations

Source: Data collected from NBC Ltd. (2012)

Table 4.6 indicates that all managers (top, middle and lower) have worked in different positions before their current ones. The most seen positions are Financial Administration, Operations sections, Auditing, Human resources, IT, and others.

This data in combination with that from table 4.5 gives clear picture of different sections/departments which have been occupied by these workers. This is very clear that, these workers have been working in many departments, which gives them a good stock of knowledge and capacity on almost all sectors/departments in Banks. This is critically important because it gives workers capacity of being aware of how different sections operates, and this is important because effective fight of money laundering requires such good stock of knowledge.

Table 4.7: Respondents' Current Positions and Occupations

Employee Categories	Current Position/Occupation
Top management	<ul style="list-style-type: none"> • Managing Director • Chief Operating Officer • Chief Risk Officer • Chief Internal Auditor
Middle level managers	<ul style="list-style-type: none"> • Compliance manager • Accountant • Relationship manager multinationals • Operations manager • Audit Manager • Compliance and regulatory Officer • Head, training
Low level managers	<ul style="list-style-type: none"> • Teller • Finance officer • Operations officer • Risk officer • Swift officer • Clerk operations • Teller • Finance officer • Human Resource Officer • Reconciliation clerk

Source: Data collected from field (2012)

Table 4.7 indicates the current positions occupied by the respondents. It divides positions according to the management levels. It generally depicts the facts that

different positions are occupied by different people as per their academic levels and working experiences. It also indicates availability of many sections/positions in the bank which requires different qualifications and specializations. In terms of fighting money laundering, all these positions might suggest critical challenges because of diversity of positions and sections and workers with different technicalities and behaviors.

The respondents' profile shows diversity of workers' working experiences in banks, education, and gender and age mixtures. All these give a picture of the kind of employees there are in banks. It is interesting to note of good combinations of workers in the banks in terms of their highest education levels, different occupations occupied currently and previously. But equally, age and gender mixtures. It is arguable therefore that, this profile gives enough credibility of workers' capacities towards fighting money laundering. It is also true that, challenges are inevitable in this process because of these mixtures.

4.2 Assessment of Money Laundering Practices in Commercial Banks

This was the first research objective of the study. The main aim of the first objective was to explore in diversity, different practices available by Banks in fighting money laundering. Under this objective many issues formed under the big objectives were explored all to be clear of diverse challenges towards fighting this illegal practices. The data in this objective are summarized and presented using figures.

4.2.1 Awareness on Money Laundering Practices in Banks

This was the first issue dealt with in this objective. The aim was find out the extent to which banking employees are aware of money laundering practices in the banks. Therefore, the sampled respondents were given questionnaire to show their responses on this. The question was to indicate yes or no so that the researcher knows how many are aware and how many are not. It should be borne in mind that, the sample included four top managers, nine middle level managers and seventeen low level managers'. The data is summarized in Figure 4.2.

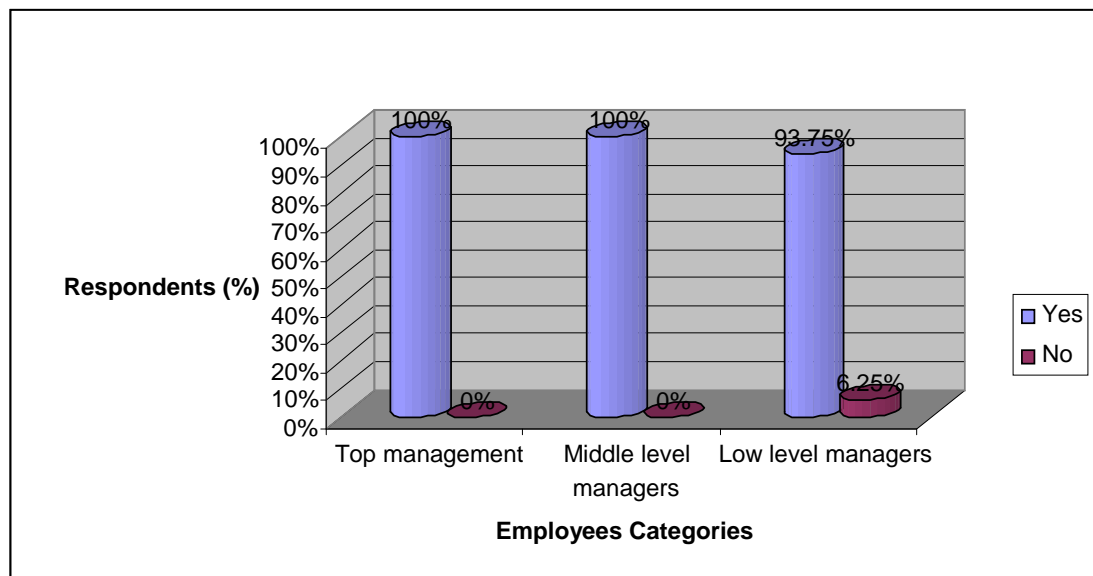


Figure 4.2: Employee Awareness in ML

Source: Data collected from field (2012)

The figure indicates that all of four top managers and middle level managers who participated in the study are aware of Money Laundering practices. On the lower level managers' side, out of seventeen participants, the majority sixteen (93.75%) were also aware on Money Laundering issues.

This data is clear that, almost all employees in the bank know the presence of money laundering in their banking operation. This is good because, it is easy to fight these practices as they know of their presence. It is extremely difficult fighting these practices if workers are not aware of them.

The other data regarding the conception of the term Money Laundering (ML) was also obtained from the interviews. One of the interviewee was the Deputy Commissioner of Financial Intelligence Unit (FIU), and had this to say on the meaning of the term:

“.....ML is the process criminals use to hide origin of money they get due to crimes.....”

Another interviewee who was the director of Risk Management at the NBC Bank Ltd who contended that;

“.....ML is a tendency of how to utilize and conceal ill gotten money. Conceal is to get it legitimate. When you get in forms of corruption, bribery etc so you make it legitimate to use it.....”

These definitions indicate the fact ML is process whereby illegal money is put into legal money and used for different transactions. The issue is how to tract these illegal money. Those who are involved in this business are called criminals. It is important to deal with these people because these businesses are not acceptable. Arguably, the ML concept.

4.2.2 Sources of Money Laundering Information

The second issue dealt after finding out whether banking workers are aware of money laundering practices was to know how these workers get information of different money laundering issues and practices. Therefore, workers were asked to indicate (by ticking) different sources from which they get this information. The data are summarized and presented as follows:

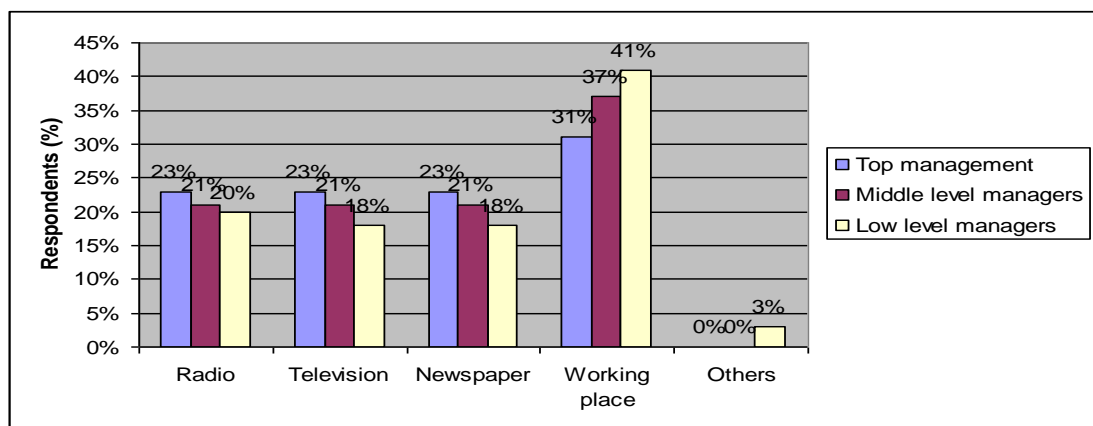


Figure 4.3: Sources of ML information

Source: Data collected from field (2012)

Indicates that there are major four sources of under which banking workers get money laundering information. These are radio, television, newspapers, and working places. However, it is observed that, majority of workers (top, middle and low level managers) get information from their working places. The data is clear that although many get ML information from their working places, radio, television and newspapers are equally important.

The data suggests the presence of diverse sources under which workers get ML information. It was not clear however how this information was obtained through 'working place' source because in many offices there are radio, magazines and

televisions. Arguably, working places may be used to include all other sources such as radio, television, and magazines because most of these are also available in their offices which here are used to mean their *working places* in general.

With this data it shows the relevance of increasing and bringing more information, of course through different sources, in their working places because, they spend most of their time in the offices. Although other get ML information using these sources outside their offices, yet, their working places is more important.

4.2.3 The Extent of Understanding of ML Concept among Banking Employees

This issue was intended to find out whether banking employees do understand clearly the meaning of ML as a concept and its operation. This was seen as important because, apart from being aware of presence of ML practices in the bank, this by itself was seen not as being enough. The argument is that, to be able to fight effectively ML, then, workers should not only be aware but understand clearly the meaning of this concept and its operation. The data are summarized as follows:

The figure indicates that all different types of managers who participated in this study clearly understand the meaning of ML as a concept and its operation. This data suggests a good signal for banking employees' capacity towards fighting ML in the banking operation. It is argued that, fighting these practices is likely to be unachievable dream if workers are neither aware nor understand ML properly or one of them.

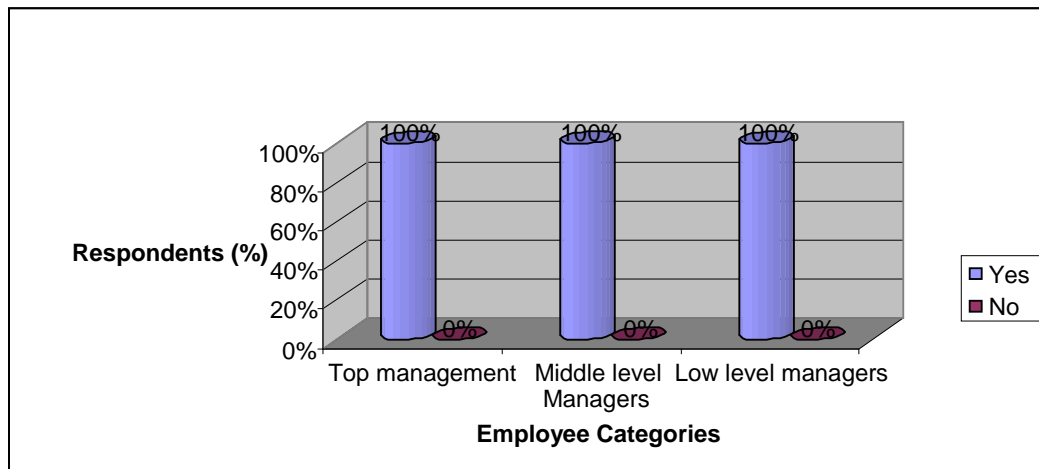


Figure 4.4: Employees Understanding ML concept in Commercial Banks

Source: Data collected from field (2012)

4.2.4 ML challenges in Banking Operation: Banking Employees Observations'

This was intended to elicit banking employees responses on whether the face any kinds of challenges towards fighting money laundering in their banking operations. This was thought as being important because it becomes more relevant hearing from practitioners themselves on this issue. Their responses are summarized and presented as follows:

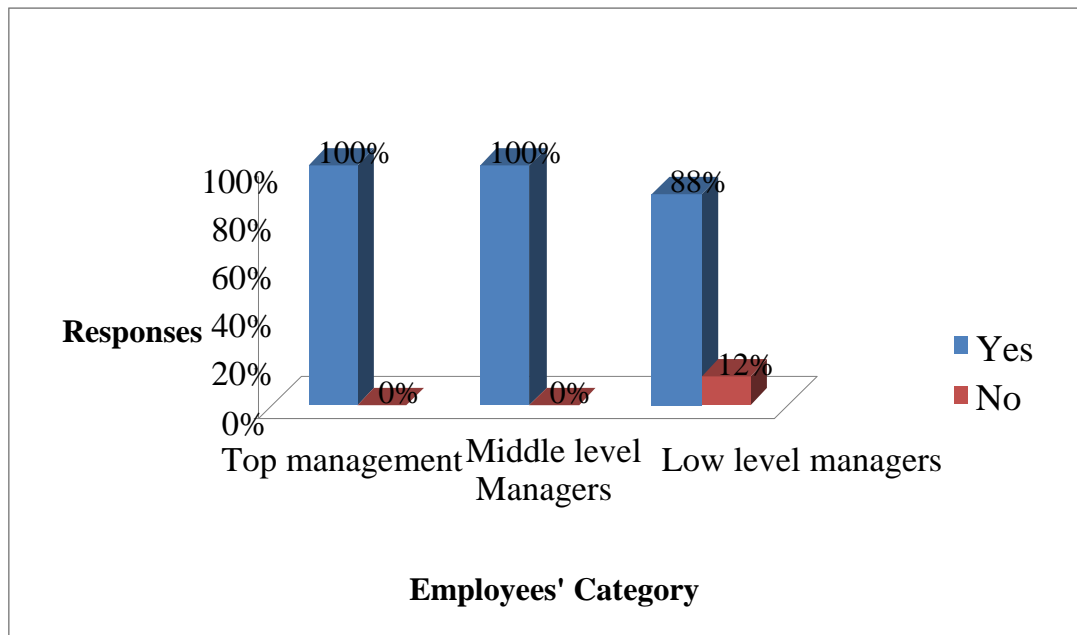


Figure 4.5: Banking Employees' responses on ML challenges in Banking Operations

Source: Data collected from field (2012)

Figure 4.5 indicates that all top managers and middle level managers who participated in the study have been facing different money laundering challenges in their banking operations. On the lower level managers' side, out of seventeen participants, the majority fifteen (88%) faced challenges on ML in their operations.

The data is clear that all managers, banking workers for those matters faced ML challenges. It is found out therefore that ML practices are problems in the banking operations and bring different challenges to almost all workers in the banking system. Although it is not clear on the extent to which ML is a problem and the extent of challenges brought, yet, it is obvious that these practices are dangerous to the banking operations.

4.2.5 Kinds of ML Challenges faced in the Bank

After being clear that, different challenges are available in the banking system, it was important going further and identifying these challenges. This is important because it gives a clear picture on kinds and nature of these challenges. The data are summarized and presented as follows:

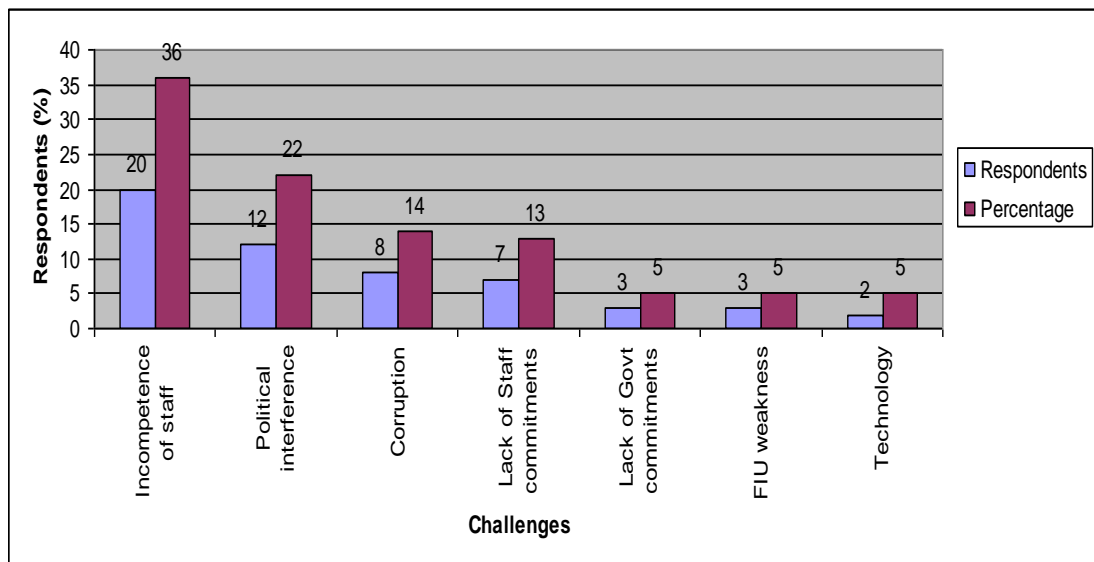


Figure 4.6: Different Challenges faced by Banks in dealing with ML issues

Source: Data collected from field (2012)

The figure indicates the presence of diverse kinds of challenges faced in banks towards fighting money laundering. These include incompetent workers, political interference, corruption, lack of staff commitments, lack of government commitment, FIU weakness and technology. However, two major challenges seen are incompetent staff and political interference.

This data shows clearly the presence of many challenges in fighting ML in banks. Although many workers who participated in the study were seen to have enough education level and experience, yet, this finding is clear of presence of workers who are not knowledgeable in whole issue of ML in the banks. This being the case then, it is dangerous because, the whole process of fighting ML is likely to be a nightmare. It is argued that, fighting ML needs competent and knowledgeable people, otherwise this is likely to be impossible. Banks would strongly be required to train all of their workers if they need to fight these activities effectively.

It is also found out that political interference is critical problem as well towards fighting money laundering activities. Although it is not very evident on how this is applied, it is equally important to emphasize that for effective fighting of ML, there must be true and committed political will. Many decisions are made by politicians, and sometimes they become hindrances towards fighting these activities. Equally, all other challenges mentioned are critical. Taking for instance corruption, this is very dangerous and can lead the fight of ML in banks unachievable dream. Therefore, all these challenges found out need to be addressed if the fight of ML has to be a success.

The other data regarding the challenges facing banks towards fighting ML practices were gathered through interviews. One of the interviewees on this issue was the Deputy Commissioner of FIU, and had these challenges exposed;

“.....first, the term ML is still a problem as it is not understood by many actors, and due to this reason, FIU creates awareness on ML to

banks, police, PCCB and the general public on the meaning, impact and the consequences of it in the economy of the country”

..Second, the economy is cash based, majority of the transactions are in cash basis, and therefore, the Money Launderers use that gap to increase their laundering activities”

Third, banking clearly knowing their customer is an issue which is still complicated due to the lack of National Identification Cards”..The other critical challenge is commitment by staff and the community in general.....”

This data is very clear of other many challenges faced by banks in fighting ML practices. From this study, more education on ML and how it works is still highly needed, not only to the banking staff but to the public in general. According to the situation, the economy will continue using cash. Since money launderers use that gap of using cash money to practice their evils, the government needs to have strong efforts directed towards this issue. Equally, the banks should try as much as possible to know their customers at least the bigger ones.

4.2.6 Contribution of Globalization, Economic Liberalization and ICT Advancement on ML Problem

Apart from the challenges mention in figure 4.6, the study also was interested to see whether the banking employees believe that globalization, liberalization of the economy and advancement in ICT could have accelerated the ML problem, and of

course making its fight a difficult problem. The data for this issue are summarized and presented as follows:

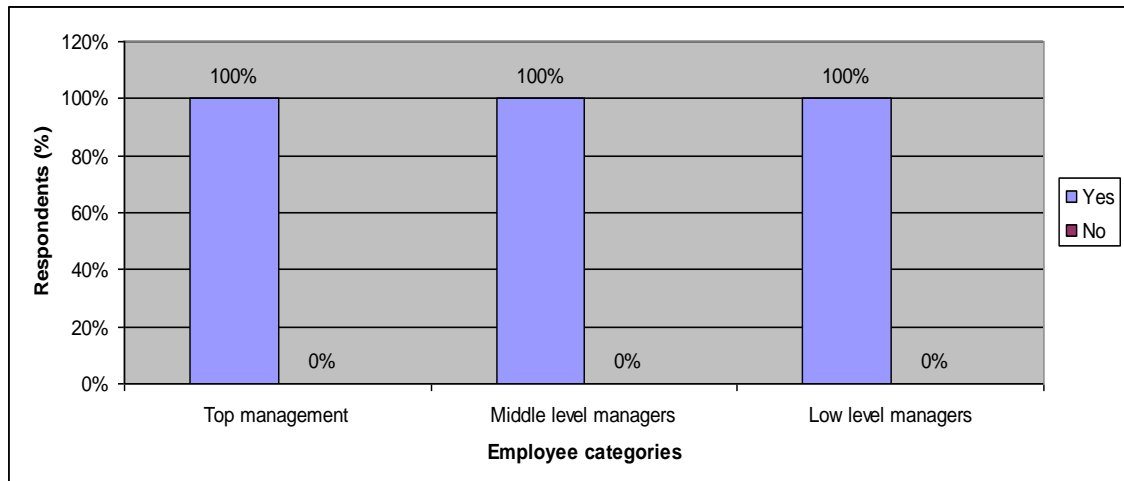


Figure 4.7: Contribution of globalization, liberalization of economy, advances of info, Communication and technology to ML problems

Source: Data collected from field (2012)

The figure indicates that, all respondents (top, middle and low level managers) who participated in the study agreed that globalization, liberalization of economy, advance in information, communication and technology contribute to ML problem.

This data depicts the fact that fighting ML is not an easy thing. This is true because of the fact that globalization is highly emphasized almost across the global. This globalization in turn, has brought liberalization of many economic activities, including banks. It has also brought emphasize on ICT. However, all these have in turn been used to practice ML. Since all these are imported discourses, many people, particularly in Africa, Tanzania in particular, are not very aware on how they operate. The fact that many banking employees seem to incompetent, it is then

obvious that its fight is extremely difficult. It is therefore critically important that more education is needed to deal with ML in banks.

It is observed from Figure 4.7 that, all the employees who participated in the study agreed that globalization, liberalization of the economy and advancement of ICT had greatly accelerated the ML problem. Yet, the researcher was not clear on how employees' perceptions were distributed across these concepts towards causing ML problem. Therefore, it was thought to be important to elicit their responses on the extent to which each employee category perceive the contribution of these concepts towards leading to ML problem. The data for this issue was summarized and presented in Table 4.8.

From Table 4.8, the data shows that majority of top managers (75%) and low level managers(65%) strongly believe globalization contribute to ML problem, while the majority middle managers (56%) believe very strong on globalization leading to ML problem. The same perception trend is as well observed across ICT advancement as well as liberalization of the economy.

It could be argued from this data that, top managers and low level managers generally strongly agree that globalization, advancement in ICT and Liberalization of the economy contribute towards ML problem. On the other hands, middle level managers believe very strongly. Therefore, this means that middle level managers believe are stronger than top managers and low level managers on this issue. However, their responses fall between strong and very strong. This suggests the fact that they see these concepts as big challenges in fighting ML in banks.

Table 4.8: Perception of employees on globalization, liberalization of economy, advances in information, communication and technology to ML problems

	Low managers	Middle managers	Top managers	Globalization ICT Advancement Liberalization of the economy Any others																							
				Globalization						ICT Advancement						Liberalization of the economy						Any others					
				VS	S	M	W	V	NS	VS	S	M	W	V	NS	VS	S	M	W	V	NS	VS	S	M	V	W	NS
	5(29%)	5(56%)	0(0%)																								
	11(65%)	4(44%)	3(75%)																								
	1(6%)	0(0%)	1(25%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	6(35%)	5(56%)	1(25%)																								
	10(59%)	4(44%)	3(75%)																								
	1(6%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	5(29%)	4(45%)	0(0%)																								
	10(59%)	3(33%)	4(100%)																								
	1(6%)	2(22%)	0(0%)																								
	1(6%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	6%	22%	0(0%)																								
	6%	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								
	0(0%)	0(0%)	0(0%)																								

Source: Data collected from field (2012)

Key: VS= Very Strong; S=Strong; M=Moderate=Weak; VW=Very Weak; NSNW=neither Strong nor Weak

The general observation from the first objective is that, there are many challenges facing the effective fight of ML in the banks. These are as identified in the earlier discussion; however, more critical is lack of competent workers in terms of ML knowledge, and knowledge on the associated issues around ML such as globalization, advancement in ICT, liberalization of the economy. It is important therefore that all of these challenges must be addressed, apart from other ways, through providing education on ML and their associated causes and issues around it to the banking employees.

4.3 Investigating the applicability of the Policies and Procedures in identifying Money Laundering activities

The second objective of the study was intended to check the extent to which policies and procedures are applied in the whole issue of dealing with money laundering activities in banks. This was sought to be important because, after exploring the challenges facing banks in dealing with money laundering; then, it was seen to be relevant to see how they fight these activities. It is borne in mind that, one critical area towards fighting these practices starts from the policies and procedures available. Therefore, under this objective, different issues around ML policies, procedures and practices are dealt. The respondents' sample remains thirty in the distribution of four top managers, nine middle level managers and fourteen low level managers. The data are summarized and presented in tables.

4.3.1 Availability of Money Laundering Policies in Banks and their Basement

Under this aspect, the aim was check whether ML policies are available in the banks. This is important because it marks the beginning of the entire efforts of fighting ML

in these banks. Therefore, employees were asked to respond to this and the data given are summarized and presented in Table 4.9.

Table 4.9: Availability of ML Policy in the Banks in Tanzania

Employee Categories	Responses	
	Yes	No
Top management	4 (100%)	0 (0%)
Middle level managers	9 (100%)	0 (0%)
Low level managers	17 (100%)	0 (0%)

Source: Data collected from field (2012)

Table 4.9 indicates that all of the employees' categories (top management, middle managers, and low level managers) who participated in the study agreed that ML policy is available in the bank. This data indicates the great efforts made by banks to fight ML in their operations. No any respondent who indicated the absence of the policy. This might suggest that most of them are informed about this policy.

Despite finding out the availability of ML policy in banks, the researcher wanted to know sources of this policy, and the extent to which these employees are aware of these sources from which the policy is made from. The data for this issue is summarized and presented in Table 4.10.

Table 4.10: Basement of the ML Policy

Employee Categories	Responses on Policy Baselines			
	National Anti-Money Laundering Act, 2006	Financial Action Task Force standards	NBAA Guidelines on Money Laundering	Any other
Top management	4 (40%)	2 (20%)	2 (20%)	2 (20%)
Middle level managers	7 (36%)	6 (33%)	4 (22%)	1 (6%)
Low level managers	15 (46%)	9 (27%)	8 (24%)	1 (3%)

Source: Data collected from field (2012)

Table 4.10 is clear that majority of respondents suggest the major source of ML policy as being the National Anti-Money Laundering Act of 2006(NAMLA, 2006). It is however equally important to note that, the NAMLA of 2006 might also have borrowed from the Financial Action Task Force standards and the NBAA Guidelines on Money Laundering. The data suggest therefore that, the ML policy is not a product of a single source, rather a combination of many guidelines and standards dealing and standing towards fighting ML practices. This suggests the long and continued efforts by banks, Tanzanian government and the international community to fight ML practices.

4.3.2 Usability of ML Policy in Banks, its Implementation Monitoring and Evaluation

The aim of this of this aspect was to find out the extent to which the ML policy is used in banks. This was sought to be important because, it would be irrelevant having a policy which is not used. Therefore, respondents were asked if they used the policy or not. Their responses are summarized and presented in Figure 4.8.

4.3.2.1 Adherence of Policy by Banks' employees

All respondents (top managers, middle managers and low level managers) who participated in the study agreed to adhere of the ML policy. This indicates that, the policy is used, not only by few employees but by all of them. This is good towards fighting ML in their banks because they speak the same language and this helps in removing unnecessary contradictions in the implementations as follows:

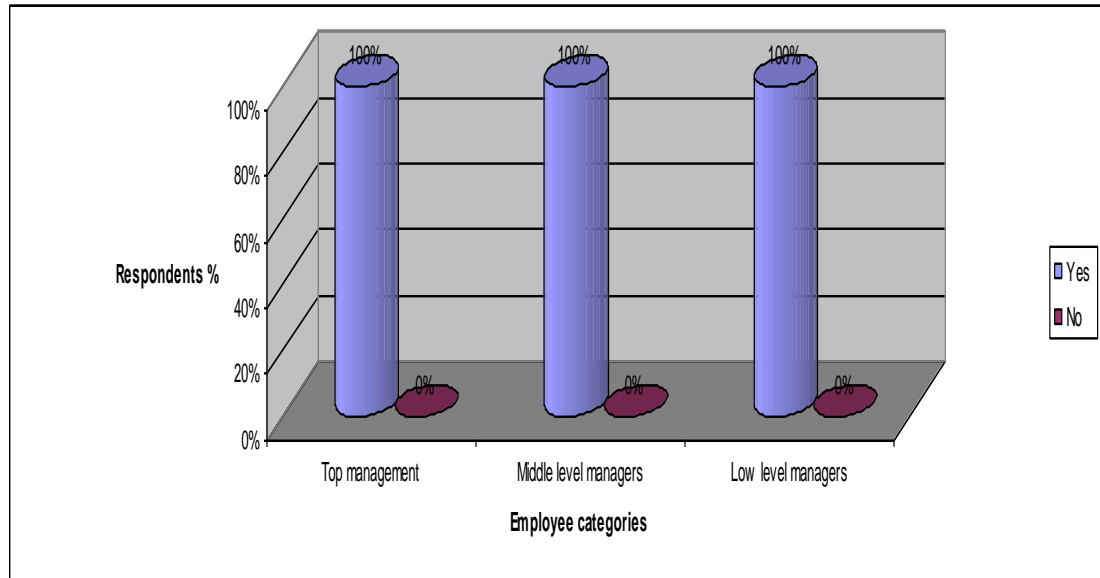


Figure 4.8: Policy adherence to staff

Source: Data collected from field (2012)

Apart from being clear that the policy is used, they study also was interested to find out who monitors the implementation of this policy in these banks. This is important because, the effectiveness of the policy in achieving its intentions depends on how well it is implemented. But this is not possible unless there are good implementers and monitors. Therefore, respondents were asked to indicate those responsible for monitoring the implementation of this policy. The responses for this issue are summarized and presented in Table 4.11.

Table 4.11 indicates that, majority of respondents, 75% of top management, 56% of middle level managers, and 65% of low level managers mentioned ML Compliance officer as the key person responsible in the monitoring of ML policy implementation in the bank. This data suggests the fact that there is a special person dealing with ML issues in the banks. This person is therefore the one responsible for making sure that

ML policy is effectively used. Although other people/organs are not directly pointed out as being engaging in this issue, yet, they cannot be neglected.

Table 4.11: Responsible Persons for Monitoring ML Policy

Employee Categories	Responsible Persons for Monitoring ML Policy							
	Chief of Risk	ML Compliance Officer	Legal Person	FI's	BoT	Barclays & ABSA	BoD	FIU
Low level managers	2 (12%)	11 (65%)	0 (0%)	1 (6%)	1 (6%)	0 (0%)	1 (6%)	1 (6%)
Middle level managers	1 (11%)	5 (56%)	1 (11%)	0 (0%)	1 (11%)	0 (0%)	1 (11%)	0 (0%)
Top management	1 (25%)	3 (75%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Data collected from field (2012)

The data points also the chief risk officer, Legal officer, FIs, BoT, FIU and BoDs as also being seeing the implementation of this policy. It could be argued therefore that, although there is a special person responsible for monitoring the implementation of ML policy in banks, yet, there are other organs/persons who are also involved in this process though indirectly. This is also seen to be good because whenever a responsible person goes wrong, there are ways of being seen and reminded or supported.

Apart from finding out how the implementation of ML policy is monitored by specifically locating the responsible person(s)/organ(s), the study thought to be relevant also to see how this monitoring is done. This is particularly by looking whether there are specific strategies for monitoring and evaluating the implementation of ML policy.

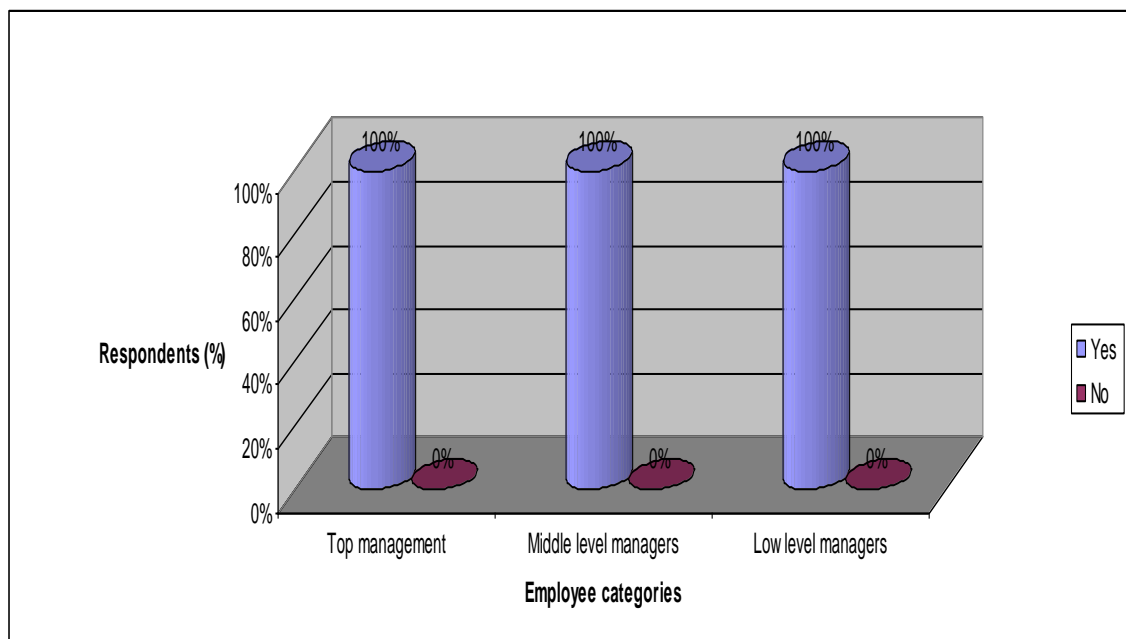


Figure 4.9: Availability of ML Policy Monitoring and Evaluation strategies in the banks

Source: Data collected from field (2012)

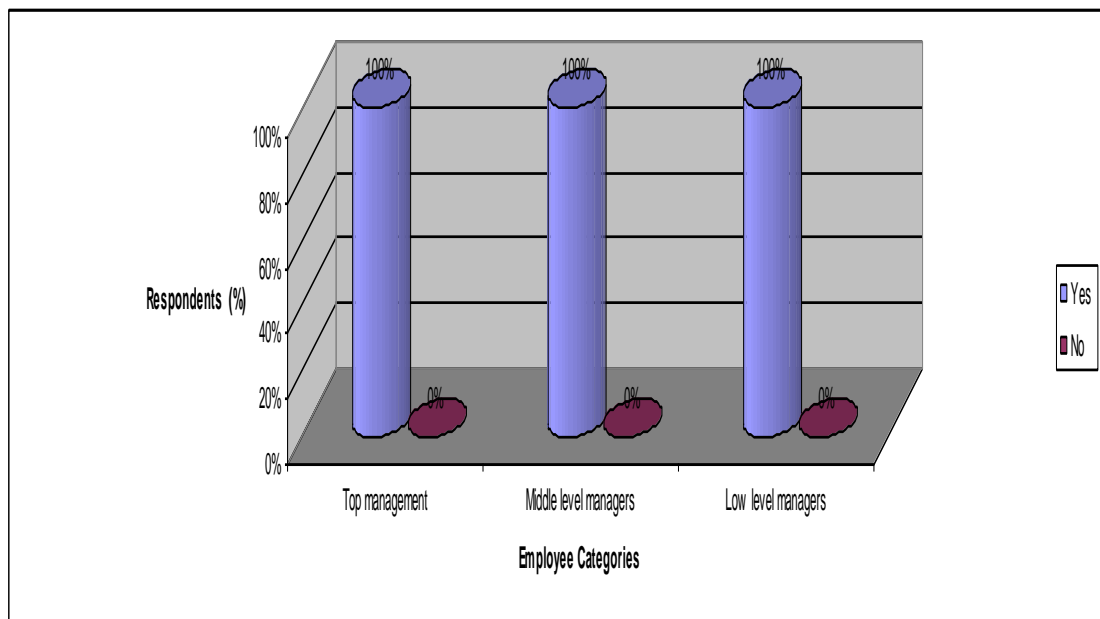
This shows that all the respondents who participated in the study agreed of the presence of monitoring and evaluation strategies. This is very important because it would be meaningless to have the policy and people to oversee it without having effective strategies to monitor and evaluate its implementation. Although the presence of strategies and its actual workability might be two different things, yet, the availability of these strategies is an important starting point to inform the efforts of fighting ML practices.

Table 4.12: The Extent to which the Policies meet the Global Standards

Employee Categories	Responses		
	To large extent	Normal	Does not meet at all
Top management	3 (75%)	1 (25%)	0 (0%)
Middle level managers	2 (33%)	6 (67%)	0 (0%)
Low level managers	6 (35%)	11 (65%)	0 (0%)

Source: Data collected from field (2012)

Apart from finding out the availability of ML policy in banks, presence of people to monitor its implementation, presence of strategies towards monitoring and evaluating its implementation, yet, the study thought as being important to examine the extent to which these ML policies meet global and international standards. This is because, ML practices is not a Tanzanian issue rather an international phenomenon. Therefore, Tanzania being one among country in global community, its policy needs to reflect the international flavor. The responses on this issue were summarized and presented in Table 4.12

**Figure 4.10: Availability of Anti-ML Guidelines and Policy**

Source: Data collected from field (2012)

Table 4.12 indicates that, three (75%) out of four top management employees who participated in the study agreed that to large extent, the policies meet the global standards. As to the middle level managers participants, six (67%), out of nine total, agreed that the rate at which the policies meet the global standards is normal. On the lower level managers' side, the majority eleven participants (65%), out of seventeen agreed that the rate at which the policies meet the global standards is normal.

This data suggest that the Tanzanian ML policy meet the international standards. This is good because of the nature of ML practices. Although the banking environments vary across different countries, yet, the inner meaning and operation of ML is likely to be the same. That is why it is important to have a policy which reflect an international standards, and especially due to faster growing globalization, economic liberalization and advancement in ICT.

4.3.3 Anti-ML Practices and its Usefulness in fighting ML in Banks

This issue was intended to explore the availability of different anti-money laundering practices in banks and the extent to which they have helped in the whole process of fighting money laundering practices in banks. This is important because they support the entire efforts of fighting ML practices. To start with the study tried to find out if these anti-money laundering guidelines and policies were available. The responses for this issue were summarized and presented as follows:

It indicates that all respondents (top managers, middle level managers and low level managers) who participated in the study agreed of the presence of anti-money laundering policies and guidelines.

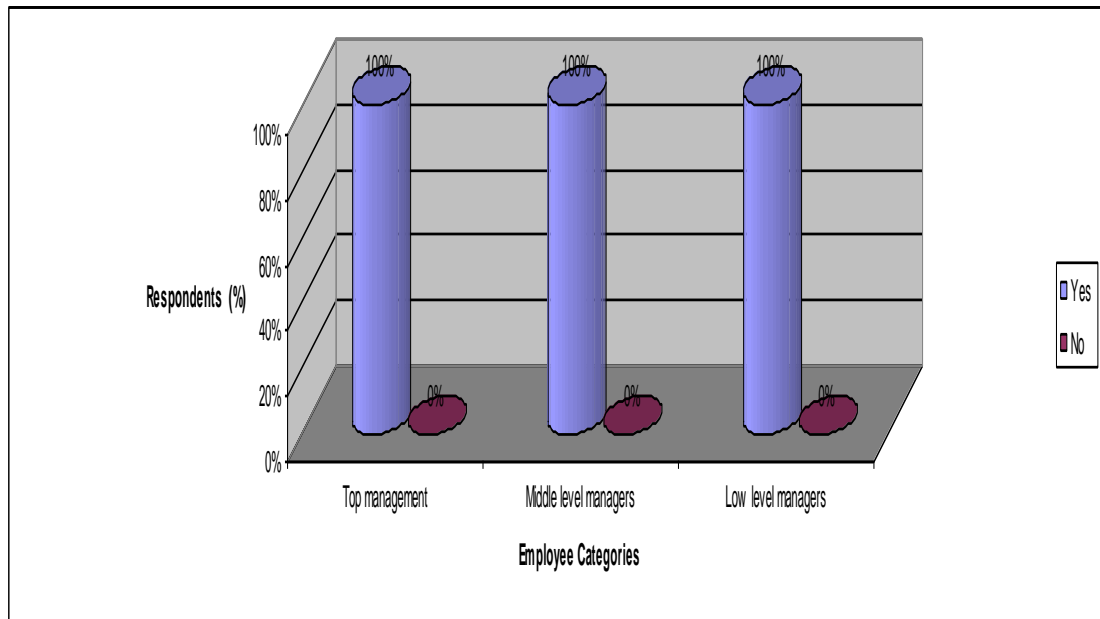


Figure 4.10: Availability of Anti-ML Guidelines and Policy

Source: Data collected from field (2012)

The data indicates the continued efforts towards fighting ML practices. This also suggest of how dangerous these practices are because, it is not always easy to develop policies around practices which are not as much as dangerous. Apart from finding out the presence of anti-ML policies and guidelines, the study also was interested to see the extent to which they are helpful in the whole issue of preventing, controlling and minimizing ML practices. The responses for this issue was summarized and presented in Table 4.13.

Table 4.13 indicates that all of the top management employees who participated in the study agreed very strongly that Anti-ML guidelines and policy has been useful in preventing ML practices. On the other hands, the majority of the middle level managers participants (89%), and lower level managers (59%) shown strong agreement that these anti-ML has supported the prevention of ML problems. the

table also shows between strong and very strong agreements among the respondents that anti-ML policies and guidelines have been useful towards controlling and minimizing ML practices in banks.

Table 4.13: Usefulness of Anti-ML Guidelines and Policy on Preventing, Controlling and Minimization Process

Employee	Prevention				Controlling					Minimization					
	VS	S	W	VW	NSN	VS	S	W	VW	NSN	VS	S	W	VW	NSN
Top	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	3 (75%)	1 (25%)	0(0%)	0%	0%
Middle	1 (11%)	8 (89%)	0 (0%)	0 (0%)	0 (0%)	6 (67%)	3 (33%)	0 (0%)	0 (0%)	0 (0%)	4 (44%)	5 (55%)	0(0%)	0%	0%
Low	7 (41%)	10 (59%)	0 (0%)	0 (0%)	0 (0%)	8 (47%)	9 (53%)	0 (0%)	0 (0%)	0 (0%)	7 (41%)	10 (59%)	0 (0%)	0%	0%

Source: Data collected from field (2012)

Key: VS= Very Strong; S=Strong; M=Moderate=Weak; VW=Very Weak; NSNW=neither Strong nor Weak

It could be argued from the data that these anti-ML policies and guidelines are therefore useful and supportive in the whole issue of preventing, controlling and minimizing money laundering practices in banks. With this note in mind, there is need of strengthening them so that they become more effective. This is likely to make fighting ML practice as successful story.

The study also thought of being important to see if there are specific person(s) responsible for reporting anti-ML issues. This is important because of making sure that these issues are publicized as required. The responses on this issue was summarized and presented as follows:

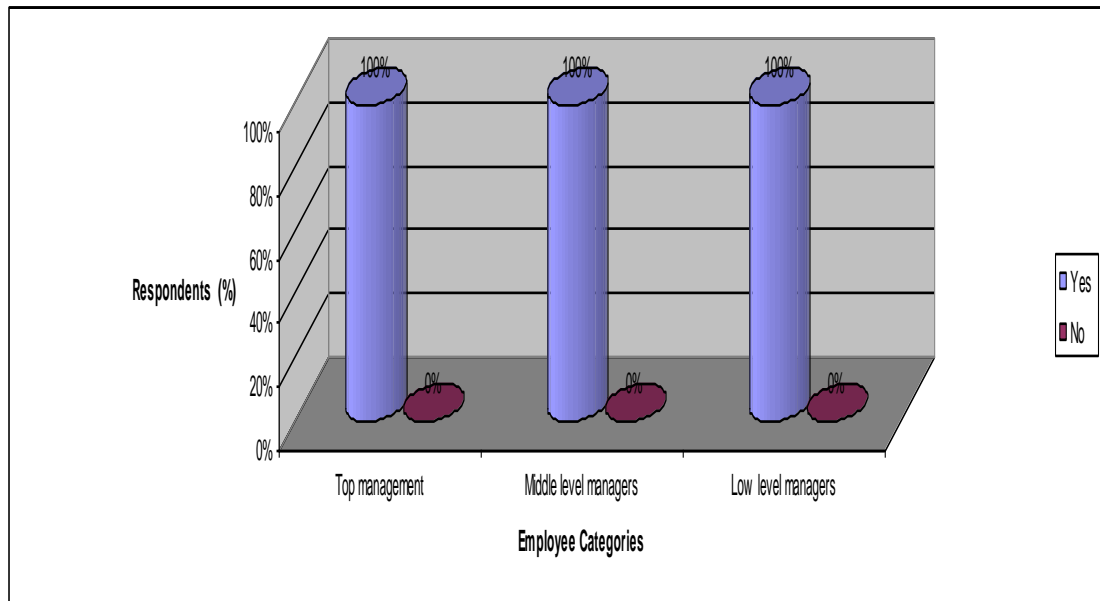


Figure 4.11: Availability of Anti-Money Laundering Reporting Officer
Source: Data collected from field (2012)

The figure above indicates that all respondents who participated in the study agreed that there is Anti-ML Reporting Officer in the bank. This is good because it shows the seriousness of banks towards dealing with ML practices. It was also found that these anti-ML reporting officers were responsible monitoring suspicious transactions, building awareness among banking staff, investigating alerts, as well as advising the internal auditors. It was observed that, apart from the specific person who is responsible for anti-ML reporting, yet, all employees, and in particular the CEO/MD and chief of risks are all responsible in this issue. It is therefore found out of the presence of great efforts done towards fighting the ML practices in banks.

In addition to the above efforts done towards fighting ML practices, the study was interested to see whether there is training done overtime for banking staff on ML. This is because, ML practices keep on changing because of changes in science and technology and the banking and money sector in general. Therefore, frequent training is inevitable to equip these workers with updated information on the whole system of ML in banks. Therefore, respondents were asked on this and their responses were summarized and presented on as follows:

Table 4.14: ML Periodic Trainings conducted in the Bank

Employee Categories	Responses	
	Yes	No
Top management	4 (100%)	0 (0%)
Middle level managers	9 (100%)	0 (0%)
Low level managers	17 (100%)	0 (0%)

Source: Data collected from field (2012)

The table indicates that all respondents who participated in the study agreed that there had been periodical trainings conducted in the bank with regards to ML practices. This is good because it suggest that most workers have been continued having updated knowledge on ML practices in the banks.

It is found out from the second objective that both ML policies and other alerts for fighting ML practices such as anti-ML guidelines are present. It is also found that that these policies and guidelines have an international flavor because ML is global issue. It was important to note that all these measures have specific people to oversee and they have put forward specific strategies for monitoring and evaluating these efforts. Although all these efforts are in place, yet, money laundering still been a big

problem. It is therefore advisable that more efforts are needed which should use advanced technology in identifying, controlling and preventing these practices.

4.4 Assessment of the compliance with the Money Laundering Act

The third major objective of the study was intended to see the extents to which ML acts are being complied with in Banks. This was thought as being important because the effective fight of ML cannot be achieved if various acts around money laundering are not been followed effectively. Various issues were dealt in this objective revolving around compliance of ML acts.

4.4.1 Compliance with Tanzanian Anti-ML strategies with International Standards and its Linkages with other Law enforcing Organs

The first thing which the study was interested to find out was trying to see whether there are strategies towards addressing anti-ML in Tanzania which comply with international Standards. The responses on this issue were summarized and presented as follows:

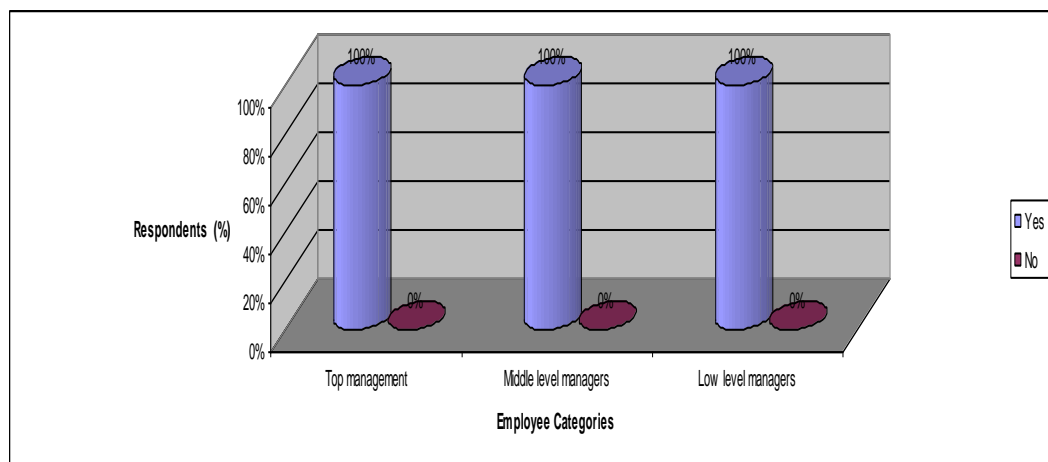


Figure 4.12: Availability of strategies which comply with international standards

Source: Data collected from field (2012)

The figure indicates that all respondents (top managers, middle level managers, and low level managers) who participated in the study agreed that the available strategies comply with international standards on Anti-ML. This is good because the strategies towards fighting anti-ML are supposed to reflect the international standards. It is argued that, the fight of ML is not a Tanzanian practice alone; rather it is an international issue. Also, because of globalization, and development in science and technology, it is impossible to operate in isolation. That is why many strategies are formulated to reflect many countries so as to have a combined and common effort. This will ensure that strategies in practice could be applied to all categories of people from different countries.

Apart from finding out if the available anti-ML strategies in Tanzania comply with the international standard, the study was interested to who is the other big law enforcement and regulatory organs are banks more linked with in this issue of fighting ML. This was sought to be important because fighting ML is coordinated activity and not single unit organized. Therefore, respondents were asked on this issue and their responses were summarized and presented as follows:

Table 4.15: Linkages of the bank with other law enforcers and Regulatory such as PCCB, TRA, Police and the like

Link	No. of Respondents	Percentage
Reporting	25	83%
FIU	3	10%
BoT	2	7%

Source: Data collected from field (2012)

Table 4.15 indicates that about 83% of the respondents (top management, middle and lower level managers) said that the link of the bank with other law enforcers and regulatory authorities is Reporting. This will mean that whenever there is a problem, it is directly and very fast reported to these law enforcing organs. This is very important because in the process of enforcing the law and making sure that those responsible with ML activities are taken in the hands of the law. This in return ensures the enforcement of the law in general.

4.4.2 Punishments and Penalties given for non-compliance with the AML

law/acts

Towards compliance with various laws and acts around anti-money laundering activities, the study was interested to find out whether there are ever been punishments given to those who fail to comply with the laws. This is important to be able to know if employees' acts against the law are punished or not. The responses for this issue was summarized and presented as follows:

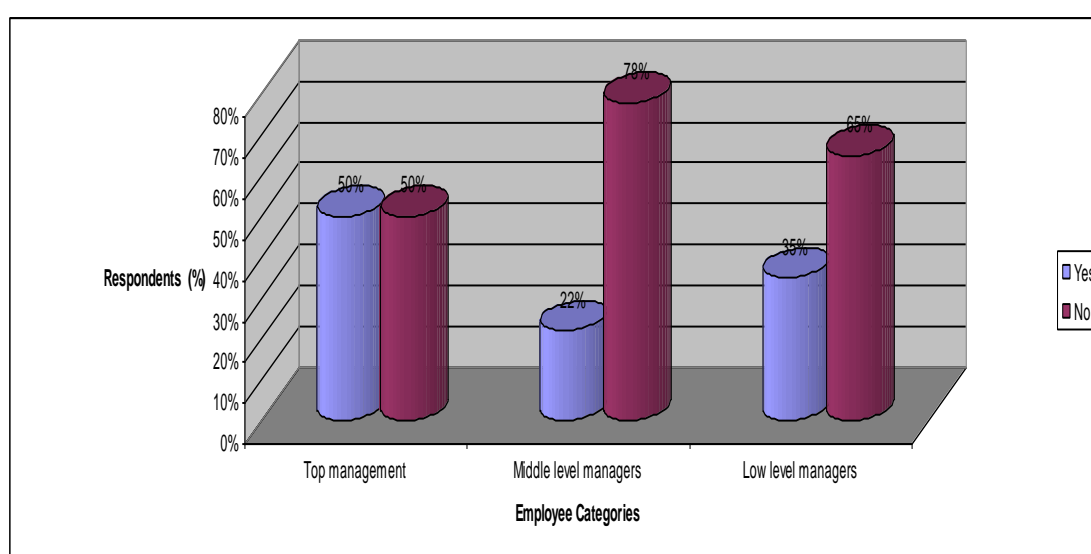


Figure 4.13: Punishment application for non-complying with AML laws employees

Source: Data collected from field (2012)

The figure indicates that, two (50%) out of four top management employees agreed that there has been application of punishment on employees who were seen not to comply with AML Laws. On the other hand, two (50%) out of four top managers indicated that there is never been application of punishment on employees who did not comply with AML Laws. As to the middle level managers participants, seven (78%), out of nine total, indicated that there has been never application of punishment to employees who not complying with AML Laws. On the lower level managers' side, eleven participants (65%), out of seventeen also did not agree on the presence of events indicating the application of punishment to employees who did not comply with AML Laws.

The data indicates the mixing pictures. However, it is generally possible to argue that there has been limited application of punishments for those going against the AML laws and acts. It is not clear why these punishments are not given to greater extent, but perhaps this may mean that most of the workers are complying with the laws and that very few are being caught disobeying the laws. This may mean also that most workers are obedient and observe the laws, or there are not effective mechanisms to catch that non-compliance. Either way, it is found out that punishments are used in a small extent.

However, apart from finding out that punishments are given to the small extent to those non complying employees may be because many are complying with the law or because of lack of effective systems of catching them, yet, the study was interested to find out those kinds of punishment even given to those few non-compliance. This was sought to be important because of seeing whether the

punishments given are strong enough to make those few found regret or not. The responses for this issue was summarized and presented in Table 4.16.

Table 4.16: Kinds of Penalties applied to employees non-complying with AML

Types of Penalties provided	Number(Respondents)	Percentage
Dismissal	24	80%
Suspension	3	10%
Criminal proceedings	2	7%
Fines	1	3%

Source: Data collected from field (2012)

Table 4.16 indicates that twenty four (80%) respondents (top, middle and low level managers) out of thirty observed that the common penalty applied to employees who commits wrong doing in violation of AML Act is normally being dismissed. The other penalties include being suspended, criminal proceedings, and fines.

This data indicates that those who commits strong offences are being dismissed, and other are given penalties according to the level of mistakes done. Arguably, this is a strong punishment because dismissing a person means losing his/her job and this is very serious bearing in mind that getting employment is extremely very difficult nowadays. This should be strengthened so as to ensure that those who found going against the laws are punished heavily and become examples for others not doing the same mistakes.

The study also after identifying kinds of punishments given, it was interested to see the extent to which people comply with these punishments. This is because,

punishments may be given but most of people failing to comply with them and this are likely to bring some difficulties in law enforcing. The responses for this issue were summarized and presented as follows:

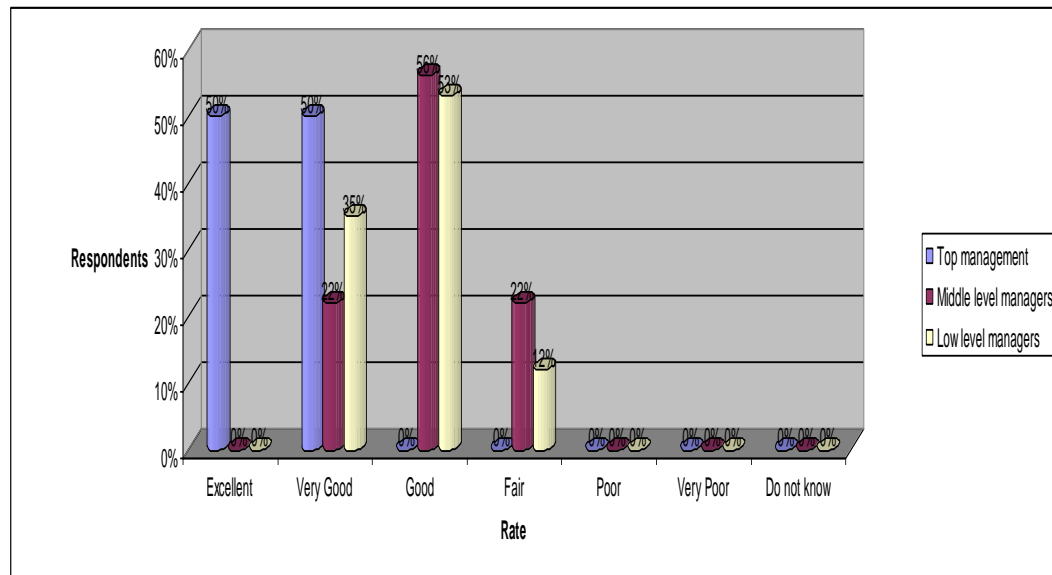


Figure 4.14: The rate of compliance with AML in the bank

It indicates that, two (50%) out of four top management employees who participated in the study agreed that the rate of compliance with AML in the bank was excellent, while, two (50%) out of four top management employees agreed that the compliance with AML in the bank was very good. As to the middle level managers' participants, majority of them (56%) indicated that the rate of compliance with AML in the bank was good. On the lower level managers' side, nine participants (53%), out of seventeen agreed that the rate of compliance with AML in the bank was good.

The data indicates that the rate of compliance with anti-ML in the banks is between good and very good. This is good because it shows that these AML are complied to and therefore very possible to enforce different laws enacted towards fighting ML practices.

4.3.3 The Supports of Financial Intelligence Unit (FIU) in Fighting ML

Practices

Financial Intelligence Unit (FIU) is among the supportive units in fighting money laundering practices in banks. The aim of aspect was intended to see the extent to which this unit has been effective in supporting the fight of ML. this was thought as being important because it is one thing the unit and another thing that this unit is really working effectively. That is why it was important to see its real practicability. Several issues were explored. Their results are summarized and presented in tables.

The first thing was to seek responses from the banking employees as to whether their see the FIU as being important and relevant or it could be simply removed. This was sought as being important because it is possible to have a unit which is not working. Therefore, to be sure of that, employees were asked to indicate as to whether they see this unit as being relevant. Their responses are summarized and presented in Table 4.17.

Table 4.17: The Relevance of FIU in Tanzania

Employee Categories	Responses	
	Yes	No
Top management	4 (100%)	0 (0%)
Middle level managers	9 (100%)	0 (0%)
Low level managers	17 (100%)	0 (0%)

Source: Data collected from field (2012)

Table 4.17 indicates that all respondents (top, middle and low level managers) who participated in the study agreed that FIU is relevant was Tanzania.

This was important to confirm that this unit is needed in Tanzanian Banks. This indicates that the unit has been supportive in fighting illegal transactions in Banks and that is why it is seen as being relevant. It was also found out that the FIU unit has been supportive to the banks in terms of providing advices on how to deal with illegal transactions in the banks. Other supports been given by FIU to the banks include providing guidelines as well as offering training to the banking employees. All of these services offered are very important towards fighting ML in banks.

Apart from finding out that the FIU was seen as relevant by the banking employees towards supporting the fighting of ML practices in Tanzania, the study was also interested to see how these employees rank this unit in terms of its performance. This was seen as being important because employees might be seeing it as relevant but being not satisfied in the ways it works. Therefore, they were asked to show how they see its performance. The responses for this issue was summarized and presented in Table 4.18.

Table 4.18: Overall banking employees' satisfaction on FIU Performance

Employee Categories	Very much satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied	Do not know FIU
Top management	1 (25%)	2 (50%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)
Middle level managers	0 (0%)	2 (22%)	5 (56%)	1 (11%)	1 (11%)	0 (0%)
Low level managers	2 (12%)	3 (18%)	4 (24%)	1 (6%)	7 (40%)	0 (0%)

Source: Data collected from field (2012)

Table 4.18 indicates that, two (50%) out of four top management employees who participated in the study were somewhat satisfied with FIU performance. As to the middle level managers participants, the majority five (56%), out of nine total, were neither satisfied nor dissatisfied with the performance of FIU. On the lower level managers' side, the majority seven (40%) out of seventeen, were very dissatisfied with FIU performance.

This data suggests that the FIU is not working very properly. Although majority employees are in support that this unit is relevant and it should be there, yet, they express their dissatisfaction with the way it is performing. Since this unit is seen as being important, there is a need to make sure that it performs better by checking problems leading to its low performance and addressing them. Arguably, if well improved, it could highly help in the whole issue of fighting ML in banks. Apart from checking the general satisfaction of the FIU performance, the study was also interested to see the extent to which the respondents were satisfied with the different services provided by the FIU. Their responses are summarized and presented as follows:

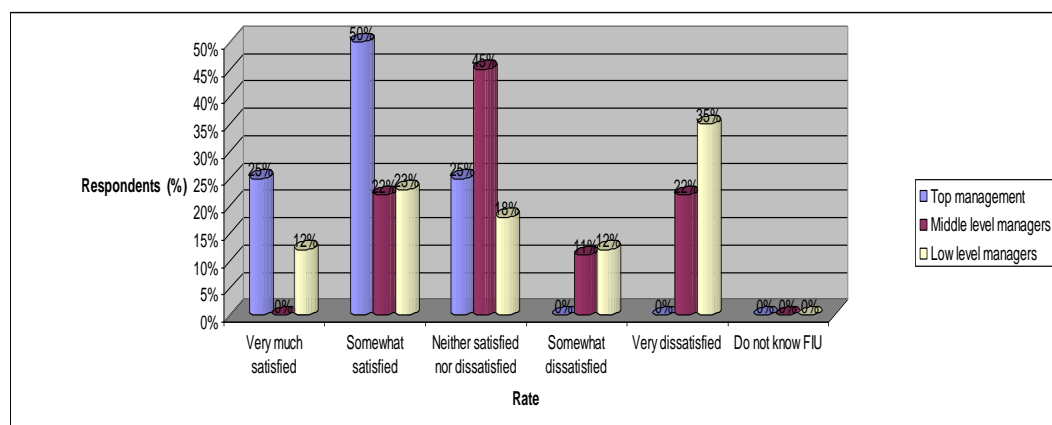


Figure 4.15: Satisfaction with services offered by FIU

Source: Data collected from field (2012)

The figure above indicates that, two (50%) out of four top management employees who participated in the study were somewhat satisfied with services offered by FIU. As to the middle level managers participants, four (45%), out of nine total, were neither satisfied nor dissatisfied with services offered by FIU. On the lower level managers' side, six (35%) out of seventeen, were very dissatisfied, while four (23%) were somewhat satisfied, and three were neither satisfied nor dissatisfied with services offered by FIU.

The data suggests that on average; most of the respondents were not very much satisfied with the services provided by FIU. Although it was not very evident as to why this kind of dissatisfaction, but the picture is clear that this unit need to be strengthened. The unit is seen as being relevant, yet, majority of respondents express their general dissatisfaction in the way it is performing as well as they services provided. If it is improved, it is possible that it could help towards fighting the ML in banks. However, if it left to proceed like that, then its support will be almost invisible. For instance, it was seen that one among the key responsibilities of this unit is to identify suspicious transactions. However, it was found out that no any such transactions had ever discovered by this unit. This is very evident in Figure 4.2.15 whereby the majority of respondents indicated very clearly that no any feedback ever reported of transactions which are seen being suspicious. However, the fact that these transactions are not reported does not mean that they are not being done. It is possible that they are not identified because the unit is weak in dealing and identifying them. Arguably, this could be one possible explanation as to why many respondents were dissatisfied with the services offered by the unit. Noted also from

this study is that, all suspicious transactions are supposed to be reported to managing director of FIU. This structure may also hinder the effectiveness of the unit because the checking of whether what is reported to the manager is well implemented seems to be very low. Therefore, if the manager in charge is corrupt, then, this is likely to bring many problems.

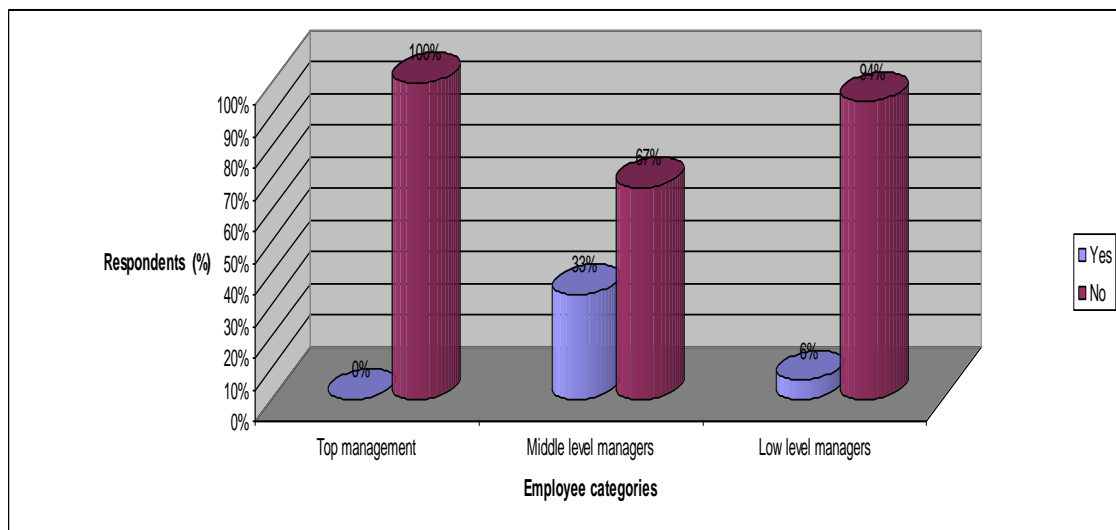


Figure 4.16: Feedback on suspicious Transactions ever reported within and outside the Bank

Source: Data collected from field (2012)

The general observation from the third objective which was mainly trying to assess the compliance of Money Laundering Acts seems to be mixing. It was found out that anti-money laundering acts are presence and that those who fail to comply with them are being given relevant punishments. However, very few seem to have been punished because of failure to comply with the law, suggesting that most of them are complying. Penalties given to few who fail to comply are strong because most of them are totally dismissed from their jobs. It was also evident that the FIU despite of being relevant its performance is very low and most workers are not satisfied. This

calls for strong need of improving it so as to perform at the intended and expected level.

4.5 Examining the effects of money laundering on banking operations

The fourth and last major objective of this study was to see how the respondents (banking employees) see ML has having effects on the banking operations. In this line, the key causes of ML practices and the possible ways of dealing with these practices were as well gathered. This was sought as being important because while others might be seeing ML as a problem, workers might not be seeing the same situation. Also, it was important to see how they see critical causes and how to deal with it. Therefore, the extent to which these employees see the effects of ML has an impact of their efforts towards eradicating the problem. Data for this issue were summarized and presented in tables.

4.5.1 Seriousness of ML problems in Banks and Challenges of bad politics

The first this explored by this study on this aspect was trying to see the extent to which respondents were see ML as being as serious problem to the banking operations. Their responses are summarized and presented as follows:

Table 4.19: Seriousness of ML problem in banks

Employee Categories	Extremely serious	Very serious	Normal	Not at all	Do not know
Top management	0 (0%)	1 (25%)	3 (75%)	0 (0%)	0 (0%)
Middle level managers	1 (12%)	4 (44%)	4 (44%)	0 (0%)	0 (0%)
Low level managers	1 (6%)	8 (47%)	7 (41%)	0 (0%)	1 (6%)

Source: Data collected from field (2012)

The table above indicates that, three (75%) out of four top management employees who participated in the study rated the seriousness of ML problem in banks as being normal. On the other hands, four (44%) middle level managers rated the level of seriousness of ML problem in bank as being very serious, and the other 4(44%) said the problem is just normal. To the lower level managers' side, eight (47%) out of seventeen, indicated that the level of seriousness of ML in the bank is very serious, and the other 7(41%) shown the problem as just being normal.

The data indicates that out of thirty respondents, the majority fourteen indicated the problem as just being normal and the other thirteen said the problem is very serious. It is therefore argued that the problem of ML in banks in there. In some contexts it is very serious and in others it is normal. Although the terms normal and very serious were not given working definitions, yet, they indicate that ML is not an issue to be neglected in banks. It must be dealt with the necessary efforts possible. Apart from finding out the extent to which ML is serious in banks, the study was also interested the extent to which politics act as among the barriers in the whole process of dealing with ML the responses for this issue was summarized and presented in Table 4.20.

Table 4.20: Bad politics as a critical challenge in fighting ML Practices

Employee Categories	Agree	Disagree	Undecided	Strong Agree	Strong Disagree
Top management	2 (50%)	0 (0%)	1 (25%)	1 (25%)	0 (0%)
Middle level managers	3 (33%)	0 (0%)	1 (11%)	5 (56%)	0 (0%)
Low level managers	3 (18%)	0 (0%)	1 (6%)	12 (70%)	1 (6%)

Source: Data collected from field (2012)

Table 4.20 indicates that, two (50%) out of four top management employees who participated in the study agreed that bad politics are among the critical challenges in fighting ML practices. On the other hand, majority of middle level managers' participants (56%), and lower level managers (70%), strongly agreed that bad politics are among the critical challenges towards fighting ML practices.

It is possible to argue from this data that there are key politicians who are involved in money laundering practices. This being the case, the fight towards ML practices becomes extremely very difficult as most of these influential political figures are the decisions makers. Arguably, the effective fight of ML practices requires strong political will; otherwise it is likely to become a very long unachievable dream.

4.5.2 Critical causes of ML practices and Mitigation Strategies in Tanzania

This aspect tried to elicit responses from respondents on how do they think are the key factors leading to increase in ML practices. Along with that, what do they think are the possible mitigation strategies? The data on this issue were gathered through interview. One of the interviewee on this issue was the deputy commissioner of FIU, who had these to say when asked on factors leading to increase in ML practices in Tanzania;

“.....Increase in level of crimes. As crimes increase, ML increases too.....”

The other interviewee was the Director of Risk Management in the ML Department at NBC Bank Ltd. When asked on the factors leading to increase on ML practices, he had the following to say;

“.....Economy is not properly controlled. At the time of Mwalimu J.K .Nyerere, the economy was very much controlled. You could not been able to build the house without disclosing the sources of funds, but nowadays people do what they like without declaring their sources of income. There is a lack of economic control.....”

The data is very clear that the critical factor accelerating ML practices is increases in economic crimes due to uncontrolled economy. It is seen that there no control on the way people earn their incomes and no one to ask. Therefore, even those people who are earning money from illegal practices like doing drug business are not dealt with and at the end of the day their money enters the legal circulations. According to this data, there is a need of strong control of the economy if ML practices are to be dealt properly.

Apart from seeing the critical factors leading to increase of ML practices, the study tried to elicit responses on what do respondents think could be the ways of addressing this issue. When interviewed on this issue, the deputy commissioner of FIU had these suggestions as mitigation strategies for this problem. He said;

“.....first, there should be discouragement in cash based economy, the financial system should be formal in order to curb financial crimes.

Second, to encourage people to use banks in all their transactions, and third, foster the National Identification Cards to all citizens in order to reduce the ML problem.....”

The other person who was interviewed on this issue was the Director of Risk Management in the ML Department at NBC Bank Ltd. For him, the following mitigation strategies were seen as more practical. He had these in mind;

“.....Commitments of all parties fighting ML. Commitments of politicians, banking employees and the general community.....”

The data is very evident that if ML practices are to be well controlled, then, there should be real commitments from the community as a whole. This includes, apart from others, the political will. Equally important observed mitigation strategy is encouraging people using the banking systems in all of their transactions and avoiding cash based economy. This is because; it is easy to control money if transactions are made through banking system as opposed to the present practices whereby most of transactions are based on cash and making control very difficult. Also, banks should try as much as possible to have their customers' databases so that they know their customers. This helps to trace their activities and perhaps dealing with new ones who might be seen unknown to the system.

It is observed from the fourth objective that ML is a problem to the banking operations, and that, politicians play a key role in making the efforts towards effectively fighting of these practices unachievable dream. Political will are strong needed if the fights against ML is to be achieved. This is because ML practices have a lot of negative consequences to the economy. This was also observed from the interview with the director commissioner for FIU, who contended that;

“.....ML has a great impact on the economy of the country and the citizens as well, therefore, its fight should involve all sectors of the economy.....”

On the other hands, the director for risk management at NBC had these to say;

“.....Although we have policies, whether is going to work or not, I still have a doubt without a team work of other stakeholders. There must be a close collaboration between FIU, PCCB, and Police and other law enforcing organs with Banks.....”

It is clear therefore that ML practices are dangerous and well coordinated efforts towards fighting these practices are needed. It should not only be left to banks or law enforcing organs only but the community in general should participate in this fight.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Overview

This chapter presents the summary of major findings, conclusions and recommendations based on the study. The Chapter first provides a summary of the major findings, and thereby draw conclusion on the context of those findings. Lastly, recommendations and suggestions are advanced as emanated from the study findings and conclusions.

5.2 Summary of the Study

The study sought to achieve four specific objectives. These included; firstly, assessing money laundering practices in commercial banks ; secondly, investigating the applicability of policies and procedures in identifying Money laundering activities; thirdly, assessing the extent of compliance with the Money Laundering Act; and fourthly; examining the effects of money laundering on banking operations. Data collection was mainly done using questionnaires, interviews and analysis of relevant documents. With the exploration of these objectives, the study sought could be able to shed some light on the major and critical challenges facing commercial banks in combating money laundering in Tanzania with a case of National Bank of Commerce (NBC) Ltd - Dar es Salaam Branch. The study was necessitated by the fact that no any similar study had been conducted to find out the extent to which Money laundering has been affecting financial institutions, particularly among banks in Tanzania. The study findings therefore had a critical value in adding more knowledge on the existing literature regarding the understanding of Money

Laundrying among banking employees, and critical problems caused by ML in the banking operations in Tanzania. It also thought to uncover the extent to which ML laundrying has been affecting banking operations. Equally, the study was intended to come up with the best suggestions on how ML could be dealt effectively so as to avoid the major problems caused by those acts.

Chapter one dealt with the background to the study, statement of the problem, the general and specific objectives, research questions, significance of the Study, as well as scope of the study. Chapter two reviewed key concepts and definitions around Money Laundrying (ML). Some of these concepts reviewed include Money laundrying as a concept, History of Money Laundry, Organized Financial Crime in Tanzania, Impact of Money Laundrying (ML), and Money Laundrying in Banking Sector. The chapter also reviewed literature on the Impact of Money Laundrying in Developing Countries FIS, International Development and Control Mechanism on Anti-Money Laundrying, Anti Money Laundrying Measures in Tanzania. The chapter brought Conceptual Framework of the Study. The third chapter dealt with the research methodology used for the study. Some of the things discussed in this chapter include the research design, area of the research, study population. The chapter also dealt with the sample of the study and sampling procedures, delimitation, methods of data collection, reliability and validity issues, data analysis and presentation, expected results of the research and usage, as well as work plan and budget.

Chapter four dealt with data presentation, analysis and discussion of findings. The chapter was divided into four main parts as per research objectives, namely, to

identify the challenges facing commercial banks in combating Money Laundering; investigating the applicability of policies and procedures in identifying Money laundering activities, assessing the extent of compliance with the Money Laundering Act; examining the effects of money laundering on banking operations.

5.2.1 Assessment of money laundering practices in commercial banks

It was found out that, almost all employees in the bank know the presence of money laundering in their banking operation. It was seen that ML is a tendency of how to utilize and conceal ill gotten money so that they become legal at the end of the day.

The study found out that there are four major sources under which banking workers get money laundering information. These are radio, television, newspapers, and working places. Despite the fact that the majority get ML information from their working places, radio, television and newspapers are equally important.

It was also found out that all different types of managers who participated in this study clearly understand the meaning of ML as a concept and its operation. It was found out therefore that ML practices are problems in the banking operations and bring different challenges to almost all workers in the banking system. It was found out that there are many different practices which lead to difficulties in fighting ML in commercial Banks. Therefore, we can call them challenges. These were identified as incompetent workers, political interference, corruption, lack of staff commitments, and lack of government commitment, FIU weakness and technology. However, two major challenges seen were incompetent staff and political interference, yet, political interference is seen as the most critical one.

It was also found out that globalization, liberalization of economy, advance in information; communication and technology contribute to ML problem.

5.2.2 Applicability of the Policies and Procedures in identifying Money laundering activities

It was found out that ML policies are available in the banks. The findings indicate that the major source of ML policy is the National Anti-Money Laundering Act of 2006(NAMLA, 2006). It was however equally noted that, the NAMLA of 2006 have borrowed from the Financial Action Task Force standards and the NBAA Guidelines on Money Laundering. It is found out therefore that, the ML policy is not a product of a single source, rather a combination of many guidelines and standards dealing towards fighting ML practices. It was equally found out these ML policies are adhered to in the banks.

The findings were also clear that *Compliance officer* is the key person responsible in the monitoring of ML policy implementation in the bank. It was also found out there is good ML monitoring and evaluation strategies and those ML policies used in Tanzania are meeting international standards. It was found out that there are equally anti-money laundering policies and guidelines, and that they have been useful in addressing ML practices. The study found out also that there is Anti-ML Reporting Officer in the bank who is responsible in monitoring suspicious transactions, building awareness among banking staff, investigating alerts, as well as advising the internal auditors. It was also found out that there are periodical trainings conducted in the bank with regards to ML practices.

5.2.3 Assessment of the compliance with the Money Laundering Act

The study found out that the available strategies comply with international standards on Anti-ML. It was also seen that the major link of the bank with other law enforcers and regulatory authorities is Reporting. Despite the mixing findings, it was generally found out that there has been limited application of punishments for those going against the AML laws and acts. However, those few who commits strong offences are being dismissed, and other are given penalties according to the level of mistakes done. It was equally observed that the rate of compliance with anti-ML in the banks is between good and very good.

It was also found out that the FIU unit has been supportive to the banks in terms of providing advices on how to deal with illegal transactions in the banks. Not only that, but also FIU has been offering training to the banking employees. It was found out that the FIU unit needs to be improved as it is not working properly.

5.2.4 Effects of Money Laundering on Banking Operations

It was found out that there is the problem of ML in banks, varying from very serious to normal in different contexts. It was also interestingly found out that ML problems in banks are critical because of involvement of key politicians in these practices. It was found out that the major factor accelerating ML practices is increases in economic crimes due to uncontrolled economy. It was also seen that if ML practices are to be well controlled, then, there should be real commitments from the community as a whole, particularly, the political will as well as encouraging people using the banking systems in all of their transactions and avoiding cash based economy.

5.3 Conclusions

It was generally found out that challenges facing the effective fight of ML in the banks are many and critical. However, lack of competent workers in terms of ML knowledge, and knowledge on the associated issues around ML such as globalization, advancement in ICT, liberalization of the economy are seen to be the most critical ones.

It is equally found out that both ML policies and other alerts for fighting ML practices such as anti-ML guidelines are available in banks, and they have an international flavor because ML is global issue. Importantly noted however, was the fact that all these measures towards fighting ML have specific people to oversee and they have put forward specific strategies for monitoring and evaluating these efforts. Despite all these efforts in place, yet, money laundering is still seen as a big problem. It is therefore advisable that more efforts are needed which should use more advanced technology in identifying, controlling and preventing these practices.

It was also found out that anti-money laundering acts are presence and that those who fail to comply with them are being given relevant punishments. However, very few seem to have been punished because of failure to comply with the law, suggesting that most of them are complying or the laws are not working properly. Although very few are seen to be punished because of failing to comply with anti-money laundering acts and laws, yet, those few who are been punished are punished strong because most of them are totally dismissed from their jobs. It was also evident

that the FIU despite of being relevant its performance is very low and most workers are not satisfied. This calls for strong need of improving it so as to perform at the intended and expected level.

It was found out that ML is a critical problem to the banking operations, and that, politicians play a key role in making the efforts towards effectively fighting of these practices unachievable dream. Political will are strong needed if the fights against ML is to be achieved. This is because ML practices have a lot of negative consequences to the economy. It is clear therefore that ML practices are dangerous and well-coordinated efforts towards fighting these practices are needed. It should not only be left to banks or law enforcing organs only but the community in general should participate in this fight.

5.4 Recommendations for Action

Basing on the study findings, the following recommendations are advanced:

1. More current and updated education is needed to banking employees on clearly understanding the ML practices and how to fight them. Also, the critical problems around ML such as globalization and challenges brought about by advancement in science and technology, and liberalization of the economy should be given special emphasis.
2. More advanced system of identifying banking customers, particularly big customers is needed. Also, there is a need to device system which could be used to check sources of different transactions, especially big ones, whereby those

responsible could be needed to write down where the money is coming from and for what purposes.

3. Need to strongly promote banking economy instead of the current cash economy
4. Politicians need to be strongly educated not to involve themselves in ML practices and making its fight of ML being so difficulty. Also, banking employees found to collaborate with these ML people should not only be dismissed from their jobs, but further measures should be taken against them including taking them to court and be jailed accordingly.
5. As a long term measure towards fighting ML, special units should be established to educate the general public on ML practices and their consequences in the economic growth. The community as a whole should be made to participate in ML fight instead of these being left to the few people in the banks and FIU.

5.5 Suggestions for Further Research

In the due course of the study, several issues, gaps and or problems emerged which were not within the objectives and conceptual framework of this study. Therefore, the following recommendations for further studies are put forward:-

1. The extent to which cash economies strongly accelerate and make it easy ML practices in Tanzania?
2. Why do Politicians the major actors in ML practices?
3. To identify areas and resources necessary for commercial banks to combat money laundering.

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APPENDICES

APPENDIX I: QUESTIONNAIRES

SECTION A: Background Information

Please Tick Where Appropriate (✓)

ID. NO _____

Age in years: 18-25 ☐ 26-33 ☐ 34-41 ☐ 42-49 ☐ 50 and above ☐

Marital status: Married ☐ Single ☐ Widow/ widow ☐

Gender: Female ☐ Male ☐

Highest education level attained:

Primary graduate ☐ Secondary ☐ High school ☐ Diploma ☐ Degree ☐ Post ☐

1. For how long have you been working in your department?

- a) Less than one year. ☐
- b) Between One – two years ☐
- c) Three to four years. ☐
- d) More than four years. ☐

2. Have you ever been working in other sections related to your current work?

- a) Yes ☐
- b) No ☐

If yes please mention.....

3. Please give your current occupation/position in the organisation? If you have more than one position.

- a)
- b)

SPECIFIC QUESTIONS

SECTION B: Assessment of Money Laundering Practices in Commercial Banks.

4. Have you ever heard about Money Laundering?

- a) Yes ☐
- b) No ☐

5. If yes, where did you hear it?

- a) Radio ☐
- b) Television ☐
- c) Newspaper ☐
- d) Working place ☐
- e) Others (specify).....

6. Do you understand the concept of money laundering?

a) Yes ☐

b) No ☐

7. Does Money Laundering create a challenge in your day to day transactions?

a) Yes ☐

b) No ☐

8. If yes, what do you think are the major three challenges faced by your bank while fighting against Money Laundering?

i.

ii.

iii.

9. What do you think could be the mitigation strategies for the above challenges?

i.

ii.

iii.

10. Do you think globalization, liberalization of the economy and advances in information, communications, and technology (ICT) has contributed to Money laundering problem?

a) Yes ☐

b) No ☐

11. If yes, at what extent? (please tick where appropriate)

S/N	Statement	Strong	Very Strong	moderate	Weak	very weak	Neither strong nor weak
1.	Globalization						
2.	ICT advancement						
3.	Liberalization of the economy						
4.	Any others.....						

SECTION C: Policies and procedures in place to combat Money Laundering

12. Do you have Ant-Money Laundering policy in place?

- a) Yes ☐
b) No ☐

13. If yes, where did you base to prepare such a policy? (please tick where appropriate)

- a) National Ant Money Laundering Act ☐
b) Financial Action Task Force (FATF)' standards. ☐
c) NBAA guidelines on Money Laundering ☐
d) Any others..... ☐

14. Is that policy followed by all employees in the organization?

- a) Yes ☐
b) No ☐

15. If no, please give reason (your views).....
.....
.....
.....

16. Who monitors the implementation of the said policy?

17. Is there monitoring and evaluation strategy?

18. Does the policy meet the global standards, to what extent? (please tick where appropriate)

- a) To a large extent ☐
b) Normal ☐
c) Does not meet at all ☐

19. Does your organization/bank have Ant Money Laundering guidelines and policy which govern against ML?

- a) Yes ☐
b) No ☐

20. If yes, how useful are they at prevention, controlling or minimization process

21. (please tick where appropriate)

S/NO	Statement	Very Strong	Strong	Weak	Very weak	Neither / nor
1.	Prevention					
2.	Controlling					
3.	Minimization					

22. Does your Organization/bank have Ant-Money Laundering reporting officer?

c) Yes ☐

d) No ☐

23. If yes, what are his/her major functions/roles as far as ML is concerned? Mention at least three roles

i.

ii.

iii.

iv.

24. Who other persons in the Bank/Organization are responsible for ML and related issues

i.

ii.

iii.

25. Is there any training conducted to employees especially those who deal with ML and the related issues?

a) Yes ☐

b) No ☐

SECTION D: Compliance with the Ant-Money Laundering Act and other regulations.

26. Are there any strategies in place made to comply with International standards of Ant Money Laundering?

a) Yes ☐

b) No ☐

27. How does your bank/ institution link with other law enforcer and regulators like Police, PCCB TRA etc?

28. Has any one in your organization ever been punished (internally/externally) because of non compliance with AML laws?

a) Yes ☐

b) No ☐

29. What are the possible penalties when an employee commits wrong doing in violation of the AML Act?

.....

.....

.....

.....

30. How do you rate the level of compliance with AML in your institution /Bank?

Excellent ☐ very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor ☐

Do not know ☐

31. What kind of facilities/services do you get from the Financial Intelligence Unit (FIU)?
32. Do you think it is relevant to have Financial Intelligence Unit (FIU) in Tanzania
- a) Yes ☐
- b) No ☐
33. What is your overall satisfaction rating with Financial Intelligence Unit (FIU)'s performance in fighting against Money Laundering and Terrorist financing in the country.
- a) Very much satisfied ☐
- b) Somewhat satisfied ☐
- c) Neither satisfied nor dissatisfied ☐
- d) Somewhat dissatisfied ☐
- e) Very dissatisfied ☐
- f) I do not know FIU ☐
34. Are you satisfied with the services offered by Financial Intelligence Unit (FIU)? To what extent?
- a) Very much satisfied ☐
- b) Somewhat satisfied ☐
- c) Neither satisfied nor dissatisfied ☐
- d) Somewhat dissatisfied ☐
- e) Very dissatisfied ☐
- f) I do not know FIU ☐
35. Do you sometimes come across suspicious transactions? If yes mention at least three of them.
- i.
- ii.
- iii.
- iv.
36. Where do you report the suspicious transactions within your bank and where finally does your bank reports?
37. Is there any feedback of the reported suspicious transactions both within the bank and externally?
- a) Yes ☐
- b) No ☐

SECTION E: Is Money laundering a problem to the banking operations?

38. How serious is Money laundering a problem in your bank/institution?

Extremely serious ☐ very serious ☐ normal ☐ not at all ☐ Do not know ☐

39. Politically Exposed Persons¹ (PEPs) is a critical problem in the fight against Money laundering.

Agree	<input type="checkbox"/>
Disagree	<input type="checkbox"/>
Undecided	<input type="checkbox"/>
Strong agree	<input type="checkbox"/>
Strong Disagree	<input type="checkbox"/>

¹Politically Exposed Persons *are those people who have political influence like president, members of parliament and others of the like*

APPENDIX II: GENERAL INTERVIEW GUIDE

This interview is aimed at providing framework of the general information required for the purpose of understanding and analysis of the problem in question. i.e. Money Laundering Policies and Practices in the banking system in Tanzania.

This guide provides only lead questions; there may be peripheral questions in the course of interview.

1. Can you tell me what clue you get when you hear the words “Money Laundering”?

Aim: To get a picture of employees’ understanding about money laundering concept.

2. Is there any need for fighting against money laundering (at your institution/ or public in general)?

Aim: To get the employee’s views on the significance of fighting against money laundering.

3. Do you think the current laws and regulations are adequate to combat money laundering (at your institution/ or public in general)

Aim: To get a picture of any weaknesses which the laws and regulations may have and obtain their suggestions.

4. Are there any challenges in fighting against money laundering (in your institution /or public in general)?

Aim: To assess the possible challenges which money laundering may have especially in banks and the economy as a whole?

5. What do you think could be the mitigation strategies for the challenges?

Aim: To get the employee's views on the ways they think could help to mitigate the challenges.

6. What factors do you think contribute much to the rise of Money Laundering especially in Tanzania?

Aim: To assess the contributing agents to money laundering in Tanzania?

7. Do you think your institution complies with the all ant-money laundering legislations? Also how do you see Tanzania in general?

Aim: To have the picture on the issues of compliance by the laws and regulations for Ant-money laundering.

8. What are the policies and procedures in place to ensure compliance with these legislations?

Aim: To assess the mechanisms in place to enable them to comply.

9. What are your general views as far as money laundering is concern?

Aim: To have a general picture of the interviewee through comments, suggestions and even the suggested way forward.